

EU seeks Emu sanctions blueprint

By Lionel Barber in Dublin

European Union finance ministers and central bankers will today try to reach agreement on a blueprint for managing currency and budgetary discipline after the planned launch of the single currency in 1999.

Negotiations in Dublin will centre on how far to meet German demands for tough sanctions against countries which fail to keep public spending under control once the single currency - the euro - comes into being.

Mr Ruairi Quinn, the Irish finance minister, who will chair today's meeting, was said to be

cautiously optimistic about a broad deal. This would reassure financial markets the timetable for economic and monetary union remains on track.

The European Commission will boost confidence today with news that economic growth is picking up across the EU. Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, said growth in the first half was running at an annualised 1 per cent, accelerating as a result of a 'locomotive' effect from the northern European economies led by Germany.

Faster growth would strengthen member states' chances of meeting the Maastricht treaty target for

public deficits of 3 per cent per cent of GDP in 1997.

This week, France said in its draft budget for 1997 that it would hit the target - but only thanks to a one-off payment of FFr37bn (\$7.8bn) from France Télécom to the government covering future pensions liabilities. The sum is equal to about 0.5 per cent of GDP.

The creative accounting has prompted unease in the German government, but is unlikely to be raised at the Dublin meeting, according to Irish officials.

The European Commission has said that the French government appears to meet internationally accepted accounting rules, but has

reserved final judgment.

Fears about an over-flexible interpretation of Maastricht are increasing German pressure for budgetary discipline after monetary union. Mr Theo Waigel, German finance minister and architect of the so-called Stability Pact, wants automatic penalties against fiscal delinquents within a timetable of six months. But his demands seem too tough to swallow for other countries.

Ministers will also discuss a new model Exchange Rate Mechanism to manage relations between the countries left out of the future euro area and also between these 'outs' and the members of monetary

union. A key issue is the limit of intervention which 'outs' can expect from the future European central bank.

At British insistence, membership of the new ERM will be voluntary. But Mr Kenneth Clarke, UK Chancellor (finance minister), may face a tricky debate today on the legal status of the euro. Britain is demanding equal treatment regarding the continuity of contracts in UK law, if it exercises its right to stay out of the single currency area. But some delegations are wary of offering special rights to the UK, which continues to brandish its opt-out.

Editorial Comment, Page 9

Bosnia voter turnout 'was 103.9%'

By Laura Silber in Sarajevo

The international organisations of Bosnia's first post-war poll were having trouble yesterday, accounting for a huge voter turnout which an independent monitoring agency called "impossibly high".

The International Crisis Group (ICG), a respected independent agency, yesterday said 2.43m voters cast ballots in the general election last Saturday but the maximum number of voters should have been 2.34m.

Voter turnout was 103.9 per cent, according to ICG's calculations.

The Organisation for Security and Co-operation in Europe (OSCE), which oversaw the Bosnian elections, said voter turnout was 82 per cent. It said 8.8 per cent of the ballots were invalidated in Republika Srpska, the Bosnian Serb entity, and 4 per cent in the Moslem-Croat federation, with particularly high figures in sensitive areas.

Before the elections, the OSCE estimated 2.9m Bosnians would be eligible to vote, but it had been difficult to give a precise figure. "Our directors of refugee and voter registration are looking into these allegations by the ICG," said Ms Nicole Szulc, acting OSCE spokeswoman. "We do not want to say anything until we check the figures. We take these allegations very seriously. But it would be highly unusual to have such a huge gap - indicating an organised conspiracy," she said.

Municipal elections, also set for September 14, were postponed until late November because of flagrant manipulation by Serb authorities of the registration of refugee voters.

The OSCE is due to certify the election results next week. As part of efforts to cement a lasting peace in the region, President Alija Izetbegovic, the newly elected chairman of Bosnia's rotating presidency, will meet President Slobodan Milosevic of Serbia in Paris on October 3.

International mediators are hoping the two countries will establish full diplomatic relations. Bosnia and Yugoslavia, the latter now comprising Serbia and Montenegro, are the only states to emerge from the ruins of former Yugoslavia who have not established full diplomatic relations, but Mr Milosevic so far has refused to recognise Bosnia unless it drops genocide charges against Yugoslavia at the International Court of Justice in The Hague.

Uncertain future. Page 9

Socialist party struggles to stay ahead of conservative rival

Greeks hand no poll gift to Pasok

By Karin Hope in Athens

Mr Costas Simitis, Greece's Socialist prime minister, is still struggling to stay ahead of his conservative rival in an increasingly strident general election campaign that ends with the vote tomorrow.

Opinion polls give the Panhellenic Socialist Movement a lead of less than two percentage points, with an unusually high proportion of undecided voters for a campaign's final days. The polls indicated that both Pasok and the conservative New Democracy party, led by Mrimitades Evert, were losing votes to a group of small parties which together are forecast to win some 20 per cent of the vote.

However, a hung parliament is unlikely, as Greece's proportional election system is designed to give an outright majority to the front-running party, even if it finishes only one percentage point ahead.

Mr Simitis appeared to be relying on last night's mass rally in central Athens, complete with firecrackers, coloured flares and tens of thousands of Pasok supporters bussed in from the provinces, to push him back into power.

Yet many Pasok candidates have already stopped making speeches and are hosting parties in the hope of winning back disaffected voters. Mr Antonis Vgontzas,

a Pasok candidate in the fiercely contested Athens Beta constituency, wound up his campaign by inviting supporters to a moonlit reception on a cruise ship.

Mr Vgontzas, clutching a drink while one of Greece's best-known popular composers serenaded hundreds of well-dressed guests, said:

"I've been trying everything I can think of to get people interested, from a mallshot aimed at new voters to a site on the Internet to encourage Greeks abroad to vote."

Early predictions that Mr Simitis would coast back for a new four-year term with Pasok holding a sizeable majority in the 300-seat parliament soon proved mistaken. Analysts at first blamed Mr Simitis's lacklustre image compared with that of his predecessor, the late Andreas Papandreou, and his preference for a televised campaign based on debates and interviews rather than traditional rallies.

As it became clear that Greek voters, especially in rural areas, still enjoy passionate rhetoric and a chance to shake hands with a party leader, Mr Simitis switched tactics. He started touring the provinces and dropped his polite professorial tones, even referring to Mr Evert by his nickname of "Hondros" (Fatty).

However, urban voters claim they are bored with politics on the grounds that Greece's twin priorities of

joining the European monetary union early next century and out-maneuvering Turkey in the lead over control of the Aegean sea will remain the same, regardless of which party holds power.

Mr Simitis has had to fight off damaging accusations that he mishandled a stand-off with Turkey over the imia islets last January, thereby encouraging Ankara to question Greek sovereignty over more than 100 small islands.

Still, Mr Evert has been unable to consolidate his advantage, largely because Greek business are suspicious of his populist economic policies. He is also being undermined on the campaign trail by Mr Constantine Mitsotakis, a former conservative prime minister who is keen to promote his daughter, Mrs Dora Bakoyannis, as the future leader of New Democracy.

Pasok is expected to lose most votes not to the conservatives but to the Democratic Renewal Movement (Dikki), a leftwing splinter group that appeals to Socialists nostalgic for the free-spending 1980s. Its leader, Mr Dimitris Tsavolas, a former finance minister, comforts them by contradicting Pasok's current policies, asserting that the public sector must expand, small businesses should be subsidised and EU funds used to create thousands of new jobs in the countryside.

Mr Tsavolas, a colourful



Greek PM Costas Simitis: strident campaign

speaker, also benefits from being considered the victim of a conspiracy to discredit Pasok by the Mitsotakis government. He was convicted on breach of trust charges for involvement in a \$200m embezzlement scandal on the island of Crete, in which state funds supposedly ended up in Pasok's coffers.

Other fringe parties such as the Greek communists, still unrepentantly Stalinist, and the ex-communist Syn-

aspismos, are also expected to win at least 3 per cent of the vote nationwide and qualify for seats in parliament at Pasok's expense.

But New Democracy's vote will also be dented by a rightwing splinter group, The nationalist Political Spring, led by Mr Antonis Samaras, a former foreign minister, is popular with young conservatives who dislike Mr Evert's confrontational style.

Tough election fight for Armenian leader

By Sander Thoenes in Yerevan, Armenia

Armenia's president faces an unexpectedly strong challenge in an election tomorrow, but unlike contenders in similar parts of the former Soviet Union, his rival is not a communist.

Mr Levon Ter-Petrosian, selected on a surge of nationalist and anti-communist sentiment five years ago, is likely easily to defeat two challengers, the former security adviser and a stalwart Communist party leader. But Mr Vazgen Manukian, his former friend and prime minister, and a capitalist, will be a tougher opponent.

Mr Ter-Petrosian has pushed through some of the more drastic market reforms implemented in the former Soviet Union, producing low inflation and economic growth this year despite a trade blockade imposed by neighbouring Turkey and Azerbaijan in reprisal for Armenia's occupation of

Azeri territory. While the pair of such reforms has revived nostalgia for communism in most former Soviet republics, Mr Manukian promises to ease the pain with social spending, without any intention of turning back the clock.

Opinion polls are unreliable, but he appears to have risen to a close second or even first since three other candidates from leftwing and nationalist movements dropped out in his favour this week. Mr Manukian yesterday predicted he would win the support of 60 per cent of Armenia's 2.4m eligible voters. "Things have changed drastically in the past few days," he said. "It's clear that the people have great hopes in the opposition. People want to live better."

Mr Gerard Libaridian, senior adviser to the president, acknowledged that uniting the opposition had surprised the government.

Mr Ter-Petrosian has hit back in recent days with scare tactics, predicting anything from economic collapse to renewed fighting with Azerbaijan if he were to lose. He hit a sore spot by accusing Mr Manukian of populism for promising to raise Armenia's pitiful wages tenfold in the next five years.

The two candidates differ over little else, both favouring privatisation, foreign investment and peace negotiations with Azerbaijan.

Parliamentary elections last year were dismissed as unfair by international monitors, who reported intimidation of candidates, misinformation spread by the government and a ban on a big opposition party. That ban still stands but as a second-tainted vote could jeopardise international aid, which paid for more than a third of this year's budget, many predict Mr Ter-Petrosian will try to avoid outright vote-rigging.

DHL dilemma for France

By David Buchan in Paris

Sleep or jobs - this is the dilemma that has faced a number of French cities considering whether to allow DHL, the US air freight company, to set up a mini-hub in France for night flights.

Strasbourg chose sleep. The US company had decided that the capital of Alsace was the best place from which to serve eastern France, part of Germany and Switzerland. The plan, which would have created 1,100 jobs by 2000, had had the enthusiastic support of the local chamber of commerce, which runs the Strasbourg-Etzheim airport.

But local opposition to DHL's plan to operate 17 complete flights, or 34 flight movements, a night grew steadily, causing the mayor and local politicians to back away. It culminated last weekend in a march through the city by 15,000 demonstrators, protesting "DHL - sleep-stealer". This week even the chamber withdrew,

and DHL conceded defeat.

But this has galvanised into action other regions, putting jobs above peaceful dreams. The regional council of Lorraine yesterday took full-page advertisements in national newspapers declaring: "The people of Lorraine say welcome to DHL because for them is the prime quality of life is to have work."

From further south, seven cities in the Rhône-Alpes region yesterday issued a joint communiqué making a pitch for DHL to base itself at the Satolas airport, east of Lyons. Mr Charles Millon, president of the Rhône-Alpes regional council as well as defence minister, said he would press the matter in Paris.

DHL said the company had received other offers and would review them all, but would need two to three months to choose an alternative to Strasbourg. "The noise levels of all our planes meet or are below European norms," it said. "But we don't operate giders."

Cries of 'foul' over TV football

Angry Spanish soccer widows seek to blow the whistle on their menfolk

By Tom Burns in Madrid

The battle for control of Spain's television is being fought on the playing fields of its star-studded football league.

The first serious engagement has taken the form of legal action initiated yesterday by Canal Plus - controlled by Prisa, the domestic media giant - against Antena Tres, a network managed by the Zeta publishing group, based in Barcelona.

In a nation that is football mad and has television as its prime leisure activity, the issue of whose cameras film what matches is vital to an industry that is moving fast

towards big investments in digital and cable TV.

The suit by Canal Plus, a pay TV channel which is 25 per cent owned by Canal Plus France, alleges that Antena Tres used unfair means to break the virtual monopoly it held over first division matches.

Sunday soccer broadcast by Canal Plus is estimated to account for more than 70 per cent of the channel's subscribers, and any weakening of its grip on the game could affect its ambitions, unveiled earlier this month, to bring digital television via satellite to Spain in association with DirecTV of the US and Divitel of Venezuela.

The upshot of the Antena Tres foray into football was that Barcelona, Real Madrid and other teams backed by

legions of fans rescheduled a number of weekend matches during the season to prime time on Mondays, the slot chosen by Antena Tres for its soccer TV.

Already last season a total of 94 football matches were broadcast on Spanish networks, 59 of them live.

Rich clubs which reached deep into their pockets to sign up stars and sought to regain the money from Antena Tres are under attack from note-rich clubs which have been left out of the Monday match deal.

Barcelona and Real Madrid have splashed out Pt1.6bn and Pt1.7bn respectively on new players, and both have secured Pt1.8bn contracts from Antena Tres.

who are organising self-help associations around the country to organise cultural activities to compensate for the loss of family life.

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INTERNATIONAL NEWS DIGEST

Yeltsin hospital stay extended

Russian President Boris Yeltsin faces a "very serious" operation, Kremlin doctors said yesterday, as it emerged that he would stay in hospital for another "three or four" days. Mr Sergei Mironov, head of the presidential health centre, denied rumours that Mr Yeltsin's poor health makes him unfit for his planned heart bypass operation, a date for which will be set on September 25.

Mr Mironov said doctors wanted to make sure "no mistakes" are made. The long stay in hospital was to ensure that problems with other organs did not complicate the surgery.

Mr Yeltsin had been scheduled to leave hospital a week ago and the third extension fuelled speculation that the Kremlin might not be forthcoming about the Russian leader's health. Mr Michael DeBakey, a US heart surgeon, will be brought in for consultation.

The operation itself will be performed by a Russian, probably Mr Renat Akhurian, Russia's best-known heart surgeon. Matthew Kaminski, Moscow

Thai no-confidence vote today

The Thai parliament is due to vote today on a no-confidence motion against the prime minister, Mr Banharn Slipipacha, after three days of debate that featured a wave of allegations that nevertheless appear to have left Mr Banharn's six-party coalition intact.

Mr Banharn defended himself against opposition claims that he was not a Thai-born national by producing immigration documents that showed his father arrived in Thailand from China in 1907. The opposition produced a copy of the same document which said Mr Banharn's father did not arrive in Thailand until 1937, five years after Mr Banharn was born. Only Thai-born citizens can stand for public office.

Ted Bardacke, Bangkok

Australian's China trip on

General John Baker, Australia's chief of staff is to go ahead with a visit to China later this month despite the row over the Dalai Lama's visit to Australia. Mr Alexander Downer, Australia's foreign minister, said in London that China had given no indication that it wanted to cancel the meeting, which is part of an effort to step up bilateral contacts on regional security matters. China has threatened trade sanctions against Australia because of the Dalai Lama's visit, which may include a meeting with the prime minister, Mr John Howard. Mr Downer met the Tibetan spiritual leader privately before departing on his current European trip. Peter Montagnon, Asia Editor

Japan music copyright reform

The Japanese government is to reform its rules governing the intellectual property rights of the music recording industry to bring them in line with those of the US and EU. The move comes after the US and EU complained to the World Trade Organisation earlier this year that Japan's copyright rules for recorded music breached internationally agreed intellectual property rights.

The US and EU had initiated dispute settlement proceedings at the WTO on the grounds that Japanese copyright protection for recording musicians and companies known as neighbouring rights, which is retrospective only to 1971, breaches a 1993 international agreement which came into effect in January. The US

Donors increase aid for India to \$7bn

By Mark Nicholson
in New Delhi

India's bilateral and multilateral aid donors have raised their combined pledges of assistance to \$7bn for next year, praising the country's sustained economic growth and reforms but expressing concern over fiscal discipline and the country's relatively high tariff rates.

The pledges, made at an annual donors' meeting in Tokyo, mark a small rise on last year's commitment of \$6.8bn - though actual disbursements this fiscal year of \$3.5bn are expected to be exceeded by repayments of \$3.8bn.

Mr Montek Singh Ahluwalia, senior finance ministry official, said the government was "very pleased" with the aid commitments, which, he added, met "our expectations as far as managing the balance of payments".

BA seeks dismissal of USAir lawsuit

By Michael Skapinker,
Aerospace Correspondent

British Airways yesterday asked a New York judge to dismiss legal action against it by USAir, in which it has a minority stake, saying the US carrier was using the suit to pressure BA to re-negotiate their alliance.

USAir shocked BA's top management by launching legal action in July against the UK carrier's proposed alliance with American Airlines. USAir, which is 24.6 per cent owned by BA, said the alliance with American would be anti-competitive. It also said it violated the 1993 agreement under which BA took its stake in USAir.

USAir also said it wanted the case heard by Judge Miriam Cedarbaum, the same judge hearing an anti-trust action against BA brought by Virgin Atlantic, the UK carrier's bitter rival.

BA's motion says new management at USAir has disapproved the agreement between the two allowing the UK airline to seek an additional partner. USAir earlier this year appointed Mr Stephen Wolf, a veteran airline executive, as its chairman to succeed Mr Seth Schofield, who retired.

BA said Mr Schofield had agreed last year that its discussions with American were "perfectly acceptable" and that there was "nothing in the 1993 investment agreement that prohibits either them or us from seeking other partners".

BA said Mr Wolf was frustrated the deal he inherited allowed it to strike its proposed alliance with American, announced in June, and wanted to re-negotiate it. BA's submission to the court said: "Disappointment and frustration, however, do not give rise to recognisable legal claims. Indeed, USAir has apparently, and quite conveniently, developed a sense of corporate amnesia."

The UK carrier's submission contests USAir's claim that BA had forced it to give up its flights to Britain when their alliance was formed. BA said USAir dropped the routes at the insistence of the US Justice Department.

BA dismissed USAir's contention that it had not told it about its discussion with American, saying it had done so "as the negotiations reached a conclusion".

BA and American plan to ask the US authorities for anti-trust immunity for their alliance, which would allow them to co-ordinate their flights and share revenues from transatlantic services. BA and USAir's alliance does not have anti-trust immunity.

Odds rise against bomb on TWA jet

By Nancy Dunn in Washington

US investigators have intensified their probe of mechanical failure as the cause of the explosion of TWA Flight 800, with each day that passes without conclusive evidence that the aircraft was brought down by a bomb.

"The odds are stacking up against the possibility of a bomb, but we haven't ruled anything out," said Mrs Shelly Hazle, spokeswoman for the National Traffic Safety Board.

The NTSB has painstakingly gathered about 80 per cent of the wreckage from the floor of the Atlantic. Investigators have only found tiny traces of two explosive chemicals in the wreckage which could point to a bomb blast.

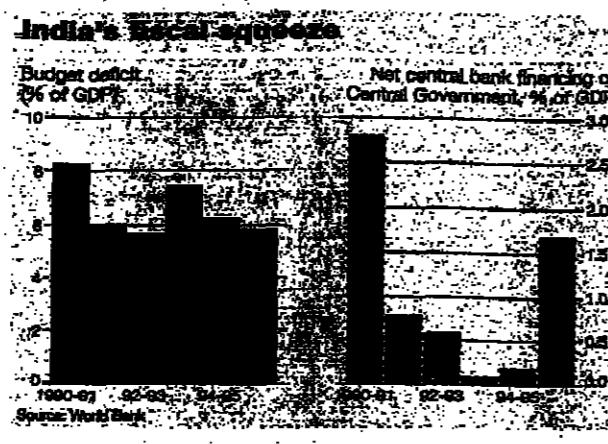
The board has been proceeding with further investigation into possible mechanical failure and studying offers by corporations and private individuals of a working Boeing 747 to serve as a model. They want it flown to the huge hangar complex in Calverton, New York, where the Flight 800 debris is being assembled.

They would also like to obtain a 747 shell to blow it up under controlled conditions and then examine the centre fuel tank. It has been concluded that Flight 800 was brought down by an explosion in this tank, which could have been caused by a bomb, missile or mechanical failure.

The NTSB also has not completely dismissed the possibility that the aircraft was brought down by a missile as suggested by eyewitness reports. But many witnesses "have to be taken with a grain of salt", Ms Hazle said.

The Federal Bureau of Investigation is conducting a parallel probe on the assumption that the explosion was caused by a bomb. Investigators say a small strategically placed bomb could have blown the aircraft apart.

To determine if the explosion was a terrorist act, the FBI is seeking assistance from intelligence agencies around the world - particularly in the UK, France, Kuwait, Saudi Arabia, Jordan and Israel. It is also investigating the possibility of a non-political crime motivated by revenge or jealousy, insurance fraud or suicide.



The World Bank - India's biggest donor, offering commitments of \$1.5bn for next year - said a total \$6.8bn had been pledged, with an additional \$400m available at commercial rates. A third of the former total comprised concessional loans, the remainder official development assistance. Japan's commitment of Y185bn

(\$1.2bn) made it India's biggest bilateral donor for the ninth successive year.

Mr Ahluwalia said donors had urged India to press ahead with an unfinished agenda of liberalising reforms, which India undertook in 1991, raising particular concern about the government's fiscal deficit - 5.9 per cent of GDP last year. He

said there was "no difference of perception" there, saying India's three-month-old coalition government had placed a "high priority" on cutting the gap, to a targeted 5 per cent of GDP this year.

A World Bank report issued before the donor meeting cited the fiscal gap as "the most important deficit target", but admitted that a public disinvestment programme slated to raise Rs60bn (\$1.4bn) by next March was delayed and would probably start only in January, five months late. Failure to raise the bulk of the expected Rs60bn would, one senior official conceded earlier this week, leave a "big hole" in government finances.

Senior Indian officials said this week that present government revenues were in line with projections, notwithstanding recent data showing a slowdown in export and import growth and falls in both industrial

output and investment; trends the government and many economists attribute to a recent but easing liquidity squeeze, high interest rates and infrastructural problems.

Mr Ahluwalia said he was "reasonably confident" of reaching the 5 per cent fiscal deficit target, but admitted that a public disinvestment programme slated to raise Rs60bn (\$1.4bn) by next March was delayed and would probably start only in January, five months late.

Failure to raise the bulk of the expected Rs60bn would, one senior official conceded earlier this week, leave a "big hole" in government finances.

He also said the government was not unduly perturbed by a strong recent dip in export growth rates, which hit a 42-month low of 6 per cent year-on-year in July, nor currently high interest rates, which he said

would ease. Lower export growth, he said, reflected a comparison with particularly high rates this time last year, arguing the same to be true of comparative rates of industrial output growth. April-July exports growth this year of 12 per cent is well below targets of 20 per cent.

"I wouldn't conclude from a three-month picture that there is any real slowdown in exports," he said.

Mr Ahluwalia also addressed donor concern over Indian tariff rates, which the Bank report said "still remain among the world's highest". "Our declared policy is to bring the tariffs, within the next few years, down to the level prevailing in comparable developing countries," he said, adding that present average rates of 19 per cent would "probably come down to half that level" in a few years.

Aid to pave Afghan way for pipeline

By Robert Corzine
in London

Blankets and baby food

could pave the way for one of the more audacious international pipeline proposals to open the bountiful oil resources of the Caspian Sea and central Asia to world markets.

Companies promoting a

multi-billion-dollar oil and

natural gas pipeline that

would run from Turkmenistan to Pakistan via

Afghanistan also want

to really leverage oil

resources of the Caspian Sea

and central Asia to world

markets.

Companies promoting a

well-connected in Saudi

Arabia, are dealing with

some of the tougher "political

and cultural issues",

according to Mr Miller. The

Saudi government, which

has been deeply involved in

funding various groups in

Afghanistan since the Soviet

invasion in 1980, has given

its full backing to the pipe

line scheme.

Unocal executives admit

make millions of dollars in

bonus payments to the vari

ous factions in Afghanistan,

but only in the form of

humanitarian aid whose dis

tribution will be overseen by

a non-governmental aid

organisation.

The companies are "com

mitted but realistic" about

the project's prospects, and

they concede it could not go

ahead if the political im

pass in Afghanistan con

tinued. Nor would it be vi

able if there was a chance of

it becoming a "political tar

get" for disaffected factions.

But executives said fundi

ng of the project could be

arranged as soon as a compet

ent "central" authority

emerges in Kabul. They have

been told by the World Bank

that the project could be eli

gible for loans as soon as

there was a "single entity"

which could show that its

members controlled all the

territory within Afghani

stan's borders. The gas pipe

line would cost about \$2bn

to build, with the budget for

the oil line estimated at

between \$2.4bn and \$2.6bn.

Although there are a num

ber of competing proposals

for pipelines out of the

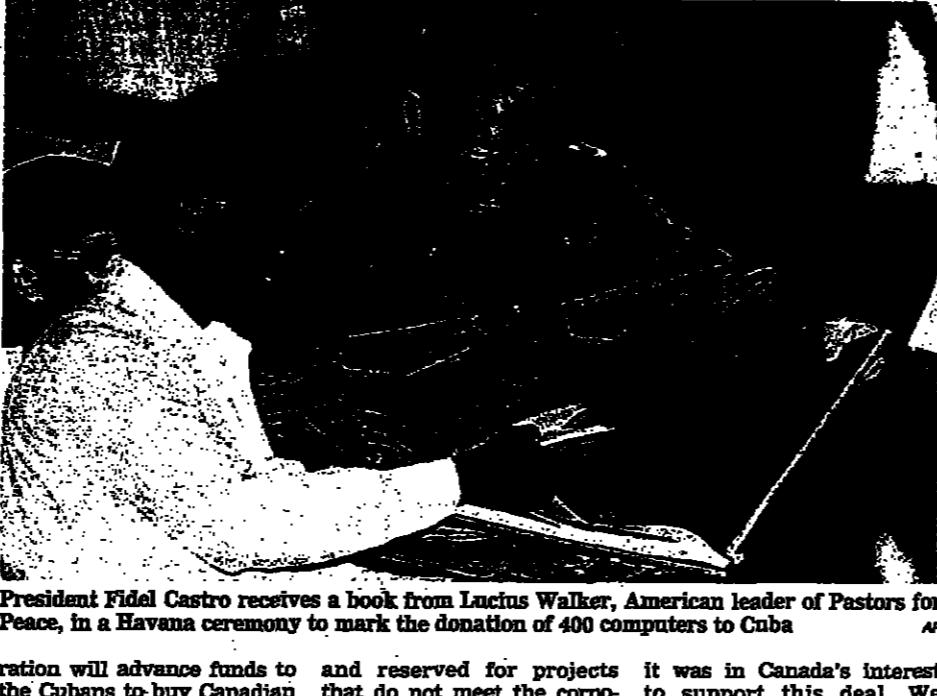
Caspian Sea region, Mr Miller

says the Afghan option is

the only one aimed at Asia,

the world's fastest growing

energy market.



President Fidel Castro receives a book from Lucius Walker, American leader of Pastors for Peace, in a Havana ceremony to mark the donation of 400 computers to Cuba

ical, a Toronto-based pharmaceuticals group whose main business is on the island, said it was close to launching an international equity issue.

Cuba granted York

licences earlier this year to

test and market human and

veterinary medicines pro

duced by the island's state

run biotechnology industry.

The deal includes technology

transfers, clinical trials in

Canadian biotechnology cen

tres, and training of Cubans

to develop and market the

products.

It is the one thing they do

all agree on," says Mr Marty

Miller, the Unocal vice presi

dent overseeing the project.

The companies hope to

form the "pipeline council"

with representatives from all

parties to the

benefits of ending the fighting.

That message will be

reinforced by the bonus pay

ments and by possible "de

mension projects". These

will include clearing land

mines from some of the pro

posed pipeline route, which

follows the Herat to Kanda

bar road before crossing into

Pakistan near Quetta, or

launching training pro

Find out why so many expatriates look to RESIDENT ABROAD for help

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and specifically written for

expatriates, it brings you the latest

news, views and practical help on

NEWS: UK

Brussels vows to maintain beef ban

By Caroline Southey in Brussels and Maggie Urry in London

The European Commission yesterday vowed to maintain the ban on UK beef exports, reflecting widespread anger across the European Union at the British government's decision to abandon a selective cull aimed at eradicating mad cow disease.

EU anger was directed at Britain's reputation of the terms of a deal struck by EU leaders in Florence in June

under which the UK undertook to cull more than 125,000 cows as a quid pro quo for a phased lifting of the ban.

On Thursday the British government agreed to drop the planned cull and discuss options for a smaller scheme with the Commission, possibly focusing on only 22,000 cattle. The UK government now admits its original aim of persuading the EU to lift the full beef ban cannot be met in the short-term. It now aims to concentrate on ach-

ieving the lifting of the ban for grass-fed "BSE-free" beef herds, primarily in Northern Ireland and Scotland.

The reactions to Thursday's decision suggested the EU's relationship with its EU partners had reached a new low. "There are a number of converging ingredients to suggest we are heading for a mega-row," an EU official said.

The Commission said it would stick to the Florence agreement while EU scientists studied the latest evi-

dence on BSE, including predictions from Oxford scientists that the disease would die out by 2001.

Mr Franz Fischler, European Commissioner for agriculture, stressed Britain remain bound by its promise to cull the cattle as part of a step-by-step plan to have the ban lifted. Mr Klaus Kinkel, the German foreign minister, said Britain's "unilateral change" was "not acceptable". Mr Klaus Haenisch, president of the European Parliament, said the UK "did

not belong in the union" if it abandoned "internal solidarity" and did not "respect decisions taken together".

Mr Philippe Vasseur, the French agriculture minister, said France would press for tighter checks of British imports into the country.

The decision to put the selective cull on hold received a mixed reaction from farmers and the beef industry. Mr Richard Cracknell, managing director of Anglo-Beef Processors, which had been the UK's

biggest beef exporter before the ban was imposed, said he was "surprised and appalled" by the government's move.

The National Farmers Union of Scotland welcomed the move. Mr Sandy Mole, president, said the group would start work on a herd certification scheme so that when exports could resume there would be BSE-free cattle available. But in Northern Ireland the Ulster Farmers' Union was sceptical that farmers would soon be able to export meat.

Bids invited for busy rail franchise

By Charles Batchelor in Manchester

The train-operating franchise for the 885km west coast main line between London and Glasgow, one of Britain's busiest long-distance routes, is to be offered for sale early next month.

Bidders will be invited to make alternative offers depending on whether they envisage maintaining current service levels with train speeds of around 160kmh or whether they are willing to finance an upgrade to 200kmh, it emerged yesterday.

Bidders will be expected to offer to provide new trains with a 15-year franchise in return. Bids are expected from the present management team and at least two bus companies, Stagecoach and Prism.

The franchising of the west coast line has been complicated by the need to upgrade the track and signalling equipment which has deteriorated since the line was electrified in the late 1960s.

Railtrack, which owns the track, signalling and other infrastructure formerly run by the national state-owned network, is already commit-

ted to a £1.3bn (\$2bn) improvement programme. Mr Brian Mellitt, Railtrack's engineering director, said:

But the financing of any radical increase in train speeds must be provided by the train-operating companies which use the line through track access payments.

The main franchisee will run long-distance inter-city services but a further 15 franchisees will use the line for shorter stretches.

There are no plans to upgrade the line to take 250kmh high-speed trains but improvements to track, signalling and the possible introduction of tilting trains would mean 200kmh was achievable. This would cut the London to Glasgow journey time from 5 hours 20 minutes to 4 hours.

A 200-strong team from Railtrack who have been working on the upgrading project have been assigned to help the franchising director, Mr Roger Salmon, for the past four months to prepare details of the franchise.

The west coast main line carries 2,000 trains a day and accounts for a sixth of the total UK passenger mileage and one-third of freight mileage.

Trains will resume uninterrupted service on the North London Line, a 35km stretch linking Richmond with North Woolwich on September 29. This follows the shutdown of a 11km section for nearly a year to allow for a 50m upgrade.

Overhead electric power lines have replaced the "third rail" power supply, sections of track have been replaced and stations have been spruced up.

The improvements could never have been justified on the basis of the local passenger services and freight

trains which also use the no outer orbital mainline rail connections.

Completion of improvements will restore to use the only direct rail line around north London. The London Underground service provides cross-town links in the centre of the capital it has

no outer orbital mainline rail connections.

There is potential for a broader role for the line.

Big shops gain from new book pricing

By Alice Rawsthorn in London

Supermarket chains and other general retailers in the UK have won a bigger share of the book trade in the year since the net book agreement, which had enabled publishers to protect the prices of new books for over a century, collapsed.

"Everyone has learnt lessons," said Mr Tim Hely Hutchinson, chief executive of the Hodder Headline publishing group. "We've all had to become more subtle in our price management."

The chief target for price cutting has been bestsellers, now on sale in the multiples at 30 per cent discounts.

Optimists argued last year that the industry would be better off, as booksellers could use price promotions to compete against other retail sectors. But most publishers and booksellers were terrified that discounting would impose intense pressure on their profits.

A year later some of those concerns have been realised as the multiple retailers, such as Woolworth and Asda, have claimed a substantial share of bestseller sales and a few small bookshops have closed. The trade has become "more difficult" according to Mr Tim Godfrey, chief executive of the Booksellers' Association, but "not catastrophically so".

Mr Godfrey said the BA has lost 119 members since last autumn "significantly more" than in previous years, all independents that either closed or stopped selling books. However the it also gained 74 new independents and 50 new branches of specialist chains.

However the multiples have ambitious plans. After increasing its book sales by 50 per cent to 3.7m in the past year, Asda is upping its orders for this Christmas, describing last year as a "shelf stuffer's nightmare".

Woolworth plans from November to channel book buying through Entertainment UK, a subsidiary of Kingfisher, its parent company which is already one of the UK's biggest record and video buyers. It then hopes to secure deeper discounts and to negotiate exclusive rights to titles and to cut price versions of books with cheaper paper or more flimsy jackets.

UK NEWS DIGEST

Confidence of consumers rises

Consumer confidence has risen to its strongest level since 1988, adding weight to the growing view that households are now feeling the benefit of the present economic recovery.

The latest survey for the European Commission by GfK, the polling organisation, shows that growing optimism about the economy is driving the upturn in confidence, while consumers are also more confident about their household finances.

The news follows figures this week which showed retail sales growing at their fastest rate since 1988, raising fears that present rates of growth may be unsustainable and may be stoking inflationary pressures.

Mr Howard Davies, deputy governor of the Bank of England - the UK's central bank - said yesterday in Paris that gross domestic product was likely to grow by between 2.3 and 2.5 per cent this year - in line with the government's own forecast of 2.5 per cent growth. But Mr Davies cast doubt on the government's forecast for a budget deficit of 3 per cent of GDP next year.

• Families spent on average £289.90 (£452.30) each week during the last financial year (1995-96) and received an average weekly income of £380.90, according to the latest family expenditure survey published yesterday by the Office for National Statistics.

This compares with households' average weekly expenditure a year earlier of £283.60 and average gross weekly income of £369.30.

Graham Bowley

CHARITY REGULATION

Iran Aid fundraising barred

The Charity Commission yesterday barred Iran Aid, a charity seeking to help Iranian refugees, from fundraising following a series of complaints about its collection methods.

The commission said that many collectors had used "intimidating and threatening" behaviour to procure donations, including showing photographs of dead people to potential donors and refusing to leave homes until a donation had been secured.

"Previous assurances from the charity that they will improve their methods have done little to reduce the number of complaints received," the commission said in a statement announcing the suspension. Mark Suzman

PENSIONS

Discrimination inquiry launched

The Office of Fair Trading has launched an inquiry into whether the personal pensions industry discriminates against certain types of workers.

It will focus strongly on how the industry treats those who take career breaks whose pension funds can be eaten up by charges during a period when the law bars them from making contributions.

The Oft plans to publish its findings in the first half of next year.

The inquiry has been launched in response to 11 possible mis-sold of personal pensions since 1988. It has also been prompted by worries that consumers are failing to make sufficient private provision to make up for a decline in state provision.

Jonathan Guthrie

DRUGS

Cocaine smugglers jailed

Seven members of a cocaine smuggling ring operating out of London and Brazil were yesterday sent to prison by a London judge for a total of 85 years.

"Because hard drugs have caused so much human misery and degradation and led to the physical and mental harm of those who take them, it is necessary for me to pass on each of you a lengthy custodial sentence," said Judge Hazleett Colgan.

The gang was said to have brought at least £1.8m (£2.8m) of the drug into the UK in two consignments and customs officers believe there may have been more. The plot unravelled when German customs' sniffer dogs discovered a large quantity of cocaine hidden in two bags of two London-bound women passengers from Brazil at Frankfurt Airport. They were kept under surveillance when they flew into Heathrow Airport and followed as they took a taxi to south London.

PA News

LLOYD'S

\$59m market capacity auctioned

The sixth auction of syndicate capacity at Lloyd's of London saw a total of £28m (£35.22m) of market capacity auctioned realising £1.15m. So far this year £1.267m has been auctioned - representing 12 per cent of the 1996 market capacity and realising £27.2m in respect of 124 Lloyd's syndicates. The auctions are designed to allow fair access to syndicates, a chance for members to realise value from taking part in syndicates, and help agents raise capital.

Jim Kelly

POLITICS

Green party to contest election

The Green party yesterday decided to contest the next general election in spite of gaining such a low vote the last time that it lost its compulsory £800 (£780) deposit in each of the 233 districts in which it ran candidates. Members decided at their annual conference to reject suggestions that they should concentrate more on campaigning against individual projects which they considered environmentally damaging.

The party had its best national result in the 1986 elections for the European parliament, in which it polled 15 per cent of the vote.

MARINE NAVIGATION

Oil tanker route reviewed

The government has recommended that new approach routes be tested for oil tankers entering the Pembrokeshire port of Milford Haven, where the Sea Empress went aground last February.

A full government report on the incident, which resulted in the spillage of 70,000 tonnes of oil, is not expected until early next year. But an interim recommendation issued yesterday called for trials to test new approaches during different tidal conditions. A recent report said the grounding of the Sea Empress had cost the local economy at least £25m and 900 jobs.

Robert Corrigan

US 'modified' soya imports spark protest

By Leyla Boultif, Environment Correspondent

Imports of genetically modified soya from the US are sparking protests from both retailers and environmentalists across Europe.

The product - developed by US company Monsanto - is due to be harvested next month - initially accounting for 2 per cent of US soya crops. It is intended to be used as an ingredient in products ranging from tinned soup to baked beans.

Environmental groups such as Greenpeace say genetically modified foods pose "unknowable risks". It cited the way an early version of genetically modified soya had been found to cause an allergy to nuts.

But the American Soybean Association, whose members account for most of Europe's soya imports, argues that the new soya can be grown with less herbicide, thus generating an environmental benefit.

A leaflet distributed to customers at UK supermarkets by J Sainsbury yesterday said the soya had been declared safe by regulatory authorities in the US, Europe and Canada.

But the company also admitted that it would not be able to tell customers which products contained the genetically modified soya. This follows US producers' and European governments' rejection of demands by European retailers and environmentalists that the modified imports should be labelled as such.

Sainsbury's said it believed customers should know what they were buying and added that retailers were still lobbying to have the genetically modified crops segregated from the standard variety.

Maxwell trial increases fraud prosecution doubts

By Robert Rice and John Mason in London

The Home Office confirmed yesterday that it was reviewing the role of juries in long and complex fraud trials as pressure mounted on the government to reform the system in the light of the Maxwell case.

Ministers have been looking at the issue since the end of the first Maxwell trial in January, but are said to be no nearer any conclusions about the merits of reform.

This is causing alarm at the Serious Fraud Office, which is now believed on the way forward. Some prosecutors are said to favour the drafting of a straightforward offence of fraud, which would make cases easier to present to juries.

Others believe juries should be replaced by a fraud trial tribunal, consisting of a judge assisted by two lay assessors, as first recommended by the Rockfall Trials inquiry in 1986.

Mr Wood said he had been calling for a long time for the ban on jury research to be lifted but his pleas appeared to have been ignored.

Mr Wood also said that reform was overdue. "It's now time. However well or badly the SFO is performing, the perception is that it is not performing very well in the major cases. So we can't leave it alone or it will drift and the problem will get worse," he said.

Mr Wood said the first step should be to merge the SFO with the fraud investigation group of the Crown Prosecution Service so that resources could be targeted properly on tackling fraud.

He also believed the government should adopt the Hong Kong system of small fraud juries, introduce a simple fraud offence and undertake a review of legislation covered by the Financial Services Act.

But equally, some prosecutors are said to favour the Hong Kong system of smaller fraud juries of six or seven jurors who are required to reach a certain educational standard. This suggestion has been floated by Mr John Wood, the first

Dealers said the strategy of regularly feeding the market small amounts of stock had helped steady the shares. So we supply Ellis with shares if and when required. We were told if we hadn't supplied the market, the shares would have gone through the roof."

Mr Robert Ellis, head of the stockbroker, said the aim was to "satisfy demand without the shares run-

ning ahead of themselves".

Mr Bates said Rysaife had been happy to sell part of its stake. This is not altogether surprising, given that it acquired some of its shares at a low price. In mid-August, for example, it was issued 3.3m shares at 60p, a hefty 34 per cent discount to the then share price.

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A mysterious Hong Kong-based trust has helped Chelsea Village's shares climb steadily

In spite of the newsworthy nature of its main asset, Chelsea Village, has kept a remarkably low profile on the stock market following its debut earlier this year.

Since the company that owns London's Chelsea soccer club floated on the Alternative Investment Market - the exchange for smaller and newly floated companies - in April at 55p, its shares have almost doubled to 99.4p, outperforming that market's index by nearly 60 per cent. The mystery surrounding Chelsea Village is reflected in the lack of information on the company's

largest shareholder, a Hong Kong-based offshore trust called Rysaife.

The identity of the trust's beneficiaries is unknown

Enlarged group set to tap expanding space communications market

Hughes, PanAmSat in \$3bn pact

By Christopher Parkes
in Los Angeles

Hughes Electronics and PanAmSat have reached a \$3bn pact to merge their satellite services operations into a new corporation to exploit the fast-growing space communications market.

Although the combination of Hughes's 10 satellites, which dominate the US market, and PanAmSat's four, which beam video, voice and data into 100 countries, had been expected, Wall Street marked the occasion with strong demand for both companies' stocks.

In Mexico, Grupo Televisa, the international Spanish-language broadcasting group, celebrated a claimed \$440m cash gain on

its investment in PanAmSat.

The company, which sparked the merger with its April announcement that it wanted to sell its 40.5 per cent stake in the Connecticut-based company, said it expected to receive \$800m plus an 8.5 per cent stake in the new group, to be called PanAmSat Corporation.

Officials said it would use about \$225m of its gain – on an investment of \$160m – to buy back PanAmSat's options over stock in Televisa's direct-to-home broadcasting businesses in Spain and the Americas.

The deal marks a further coup for Hughes, a subsidiary of General Motors, which has emerged from the turmoil of recession and military spending cuts with a dominant position in the manufacture and opera-

tion of communications satellites.

Apart from its Galaxy network of satellites covering the whole of the US – due to be extended with the addition of three new vehicles by the end of next year – its DirectTV subsidiary is the country's leading provider of DTH broadcast services and has an estimated market value of at least \$5bn. Its satellite-building operations have a 60 per cent share of the world market.

PanAmSat has also contracted for four further launches over the next two years.

Under the terms of yesterday's deal, which may be delayed by up to a year by approvals procedures, including winning the support of the Federal Communications Commission, the new company's top execu-

tive will be Mr Frederick Landman, current president and chief executive of PanAmSat.

No redundancies are expected in the 500-strong combined workforce and industry observers predict strong growth in both the workforce and revenues, which totalled about \$500m last year.

Hughes will own 71.5 per cent of the new corporation immediately after the merger, and before it is floated off. According to details disclosed yesterday, PanAmSat's stockholders will receive an aggregate of \$1.5bn in cash and 28.5 per cent of the new group's shares.

They may opt for \$30 in cash, one share half or \$15 plus half a new share for every existing PanAmSat share.

Lloyds TSB targets LAL minority holdings

By George Graham,
Banking Correspondent

Sir Brian Pitman, who has become one of the dominant figures in UK banking since he took over as chief executive of Lloyds Bank 13 years ago, yesterday embarked on one more bid before stepping down from day-to-day management.

Sir Brian, who was named chief executive of the combined Lloyds TSB last year after Lloyds' merger with TSB Group, launched a £1.7bn (\$2.65bn) offer to minority shareholders in Lloyds Abbey Life, the life assurance unit which Lloyds TSB owns 65 per cent.

Lloyds TSB was stumped by "heightened market speculation" yesterday into announcing its offer, which has been agreed in principle by Lloyds Abbey Life.

But details of how the bank plans to integrate LAL with its other life assurance operations will not be revealed until early next week.

The offer came as Lloyds TSB ended months of speculation about its future management structure by announcing that Sir Brian, now aged 65, would become chairman next February when Sir Robin Ibbs steps down at the age of 70.

Mr Pitman, who ran TSB and is now Sir Brian's deputy, will take over as chief executive.

Mr Alan Moore, Sir Brian's deputy at Lloyds Bank and another possible contender for the top job, will continue as group deputy chief executive until his retirement at the end of 1997.

Mr Pitman is expected to keep Lloyds TSB on the same path as Sir Brian, who has transformed a small clearing bank with a spread of international and wholesale banking businesses into one of the dominant retailers of financial products in the UK high street.

When Lloyds took a controlling stake in Abbey Life in 1988, it was one of the first UK banks to move into life assurance.

Although Sir Brian has in the past dismissed any need to buy up the remaining 37 per cent of LAL, he is keen to boost what he believes to be the steady, low-risk income offered by life assurance.

Lloyds TSB will offer six of its own shares for every seven LAL, plus 300p in cash for every LAL share. That is equivalent to 625p at yesterday's Lloyds closing price of 379.4p, valuing LAL at 24.4bn.

NEWS DIGEST

Loewen in buy with Blackstone

Loewen Group, the Vancouver-based funeral operator currently the target of a takeover bid, has joined forces with Blackstone Group, the US investment partnership, to buy Rose Hills, a Los Angeles-based funeral group whose assets include North America's biggest cemetery.

The US\$240m deal is structured in a way that initially gives Blackstone control of Rose Hills. But Loewen has the option to acquire Blackstone's interest after four years on undisclosed terms. Loewen will contribute its existing Los Angeles businesses to the joint venture in return for preferred shares.

Loewen's board is due to meet next week to consider a \$2.5bn all-share bid from Service Corporation International of Houston, the world's biggest funeral services group. It is expected to reject SCI's offer, valued at \$43 a share. Mr Ray Loewen, the company's founder and chief executive, holds 15 per cent of the stock. Loewen's shares have remained below the bid price, suggesting that arbitrageurs are not yet convinced that a deal will go through.

SCI and Loewen have both pursued an aggressive acquisition strategy, capturing about 15 per cent of the North American funerals market. However, Loewen's ability to finance large purchases has been weakened by a \$75m payment last year to settle a Mississippi court case.

The Rose Hills acquisition is the second in which the Canadian company has drawn on Blackstone's resources to sustain its expansion drive. Earlier this year, the two paid \$320m for Prime Succession, the fourth-biggest US funeral operator. Loewen has spent \$715m so far this year on acquisitions, excluding the Rose Hills and Prime Succession deals.

Bernard Simon, Toronto

Lex, Page 24

TIM in profit at midway

Telecom Italia Mobile, the Italian mobile phone operator, reported a pre-tax profit of Ls65.6m (\$82.8m) for the first six months of 1996. TIM was demerged from Telecom Italia, the main domestic telephone operator, last summer and a majority of its shares is owned by Stet, the state-controlled telecoms holding company.

It has a sole competitor, Omnitel Pronto Italia, owned by a consortium of investors led by Olivetti, the information technology group.

The group did not provide pro-forma figures for the first half of 1995, before the demerger. In the five months to December 31 last year – which included only one month of direct competition with Omnitel in the digital phone sector – TIM reported a pre-tax profit of Ls45.6m. TIM claims to be the fourth-largest operator of GSM-standard digital phones in Europe with just over 970,000 customers at mid-September.

Andrew Hill, Milan

Citicorp reviews strategy

Citicorp, the US banking group, yesterday revealed it was in the process of reviewing its strategy in future intermediation, "specifically whether it requires its own execution and clearing capabilities". The review is a result of Citicorp's new capital markets focus which aims to re-direct resources to the group's core product strengths. Derivatives, foreign exchange, fixed income and emerging markets have been singled out as "main priorities for Citicorp in coming years", the bank said.

The review will affect Citicorp's options and derivatives arm, which employs some 150 people in five centres – London, New York, Chicago, Tokyo and Singapore – and operates on 17 derivatives exchanges. Its conclusions are likely to be announced by year-end.

Shrinking margins in recent years have reduced the contribution of futures broking to financial institutions' bottom line, favouring trading in the much more profitable over-the-counter derivatives, which are not listed on an exchange.

Samir Iskandar, London

Banca di Roma in the black

Banca di Roma, one of Italy's largest banks, reported a consolidated group profit of Ls8.7bn (\$83.5m) for the first half of 1996, including for the full period Banca Nazionale dell'Agricoltura, control of which was acquired last year.

The bank said comparative figures for the 1995 first half were not available, because at the time it was not required to prepare consolidated interim results.

The parent company reported a 33 per cent increase in first-half profit to L70.8bn, against L53.1bn. Andrew Hill at 24.4bn.

Amer in struggle to find winning form

Falling demand has left the sports equipment group with a lot to do, writes Hugh Carnegy

For our months after taking over as chief executive of Amer, the struggling Finnish sporting goods group, Mr Roger Taleremo could be forgiven for thinking his former profession as a freestyle skier was a less hair-raising job.

Amer owns leading brands such as Wilson tennis rackets and Atomic skis and is the world's second-largest sports equipment maker. Its list of sponsorship superstars include basketball's Michael Jordan, the world number-one tennis players Pete Sampras and Steffi Graf, golf champion John Daly, and downhill-skier ace Lasse Kjus.

But the company has been in turmoil for the past year as profits have turned into losses with all the alarming waywardness of a sliced drive into the rough. Mr Taleremo, who was appointed in May, is scrambling to get the group back on target, and has begun an overhaul of the business. But he has been forced to warn twice that Amer will stay in the red this year after posting a FM16m (\$25.65m) loss in the first four months.

Not surprisingly, Mr Taleremo is cautious about the future. "Some of the operations were in so much trouble you can't just clear them up overnight," he says.

But he adds: "If everything goes well, our target is to reach break-even in 1997 and after that to come up to the standard industry margin of pre-tax profits of 10 per cent of sales."

Over the past year, that has seemed a distant hope. Amer was overwhelmed in

1995 by a worldwide trend of weakening demand for tennis equipment, the core business of Wilson Sporting Goods, which has a 40 per cent share of the global tennis racket market. Sales of Wilson's golfing equipment and Amer's other golf brand, MacGregor, also went into reverse.

Meanwhile, Amer had just acquired the Austrian winter sports group Atomic – at a time when worldwide annual sales of alpine skis were sliding from a high of 6m pairs at the turn of the decade to just 4.5m. And demand continues to fall. Group turnover fell in 1995 from FM6.9bn to FM6.1bn. Wilson's operating profits crashed by 71 per cent to FM75m, driving operating profits from sporting goods down 67 per cent to FM81m.

As performance spiralled downwards, Amer dismissed in August last year the chief executive, Mr Seppo Ahonen – who had entrenched the strategy of focusing on sporting goods. But a permanent replacement was not appointed until Mr Taleremo was promoted from Atomic to head the group.

The saga raised a question mark over the whole Amer enterprise. It is controlled by a group of obscure Finnish academic institutions which started the company to make American-style cigarettes for the Finnish market – hence the name. In the 1980s it launched an acquisition spree, buying up Wilson and MacGregor.

Sports equipment now accounts for 75 per cent of sales, but Amer has never got a grip on such a



Pete Sampras using a racket made by Wilson, a division of Amer hit by a worldwide fall in sales of tennis equipment

Mr Taleremo's strategy is for all divisions to produce premium brands aimed at "average" sports players.

Professional stars are supplied with specialist equipment and used to promote the brands. But the bulk products are for the weekend tennis player, golfer or skier, or the school baseball team.

They are crafted to enhance performance – like the Wilson "Sledgehammer" tennis racket, designed to combine a bigger "sweet spot" with maximum power.

"If we don't add something new to a person's game, then we should not enter a new product. That's fundamental," says Mr Taleremo.

He also aims to balance the product portfolio between winter and summer, and indoor and outdoor sports, in order to smooth out fluctuations in seasonal demand and the vagaries of fashion.

Mr Taleremo says there have been signs of a turnaround in demand for tennis equipment. Amer is scrambling to take full advantage of booming demand for snowboards and in-line skating. But he is not expecting a sudden revival in Amer's core markets.

It looks as if it will be a long struggle for Amer to establish firm profitability. An outside takeover that shifts control of the sporting goods business closer to its operational heart in the US may yet prove its fate. Investors have signalled some confidence in Mr Taleremo by driving the share price up from FM100 in recent weeks to June 1996.

But there are still plenty of moguls for the former skiing pro to negotiate before he reaches the finishing line.

DMGT bonds attract bonus

By Samir Iskandar

Holders of bonds issued by Daily Mail and General Trust will get three extra coupons, the company announced yesterday.

The DMGT bonds are exchangeable into ordinary shares of Reuters Holdings – and the windfall aims to reflect the increased value of the exchange property following Reuters' recent decision to pay a special dividend to shareholders.

Reuters' offer, if approved by shareholders, would make it more attractive for DMGT bondholders to convert their bonds into shares, since the special dividend would be more generous than the fixed rate of interest payable on the bonds.

By adding the special coupons to the bonds, Mr Williams said the company was "hoping to persuade investors to hold on to the bonds", rather than converting them.

"Technically, we did not have to do it," said Mr Peter Williams, group finance director of DMGT. "We chose this way to make sure the special dividend attached to

Australian life group to issue free shares

By Roger Taylor in London and Bruce Jacques in Sydney

About 270,000 UK policyholders with Australian life assurance company Colonial Mutual are set to receive later this year regular dividends over a three-year period to the value of 75p a share. Every 20 existing shares are to be replaced by 19 ordinary shares and one special dividend share.

Reuters recently said it would return £512m to shareholders through the innovative creation of a special dividend share, which will pay regular dividends over a three-year period to the value of 75p a share. Every 20 existing shares are to be replaced by 19 ordinary shares and one special dividend share.

Colonial confirmed in May this year its plans to convert from a mutual life office, owned by its 860,000 policyholders in Australia, New Zealand and Fiji, into a listed company owned by shareholders.

If the plan is approved by shareholders, Colonial will distribute shares and options for each policy, estimated to be worth £285. But 90 per cent of beneficiaries will receive further shares and options in proportion to the value of their policies.

A further £3,000 people in the UK with pension managed by Colonial Mutual will benefit from the conversion. But their pay-out is likely to go into their pension schemes rather than directly to them. The plan will effectively convert Colonial into a foreign-owned company.

This is because about 60 per cent of its beneficiaries live outside Australia, some 40 per cent of them in Britain.

Mr Smedley said allocations were based on a valuation of £2.57 for each par-

cel of one share and one option, but the ultimate value depended on stock exchange conditions at the time of listing.

As well as distributing shares to customers, Colonial plans to use the listing to raise new capital. Mr Peter Smedley, said the group expected to effect the demutualisation by December.

Colonial proposed to raise an additional £850m through a convertible preference share issue and a further £200m with an options issue to members.

"While we don't need the capital as a mutual, by raising it at this time we are able to plan ahead for the business' future needs," he said.

"After listing, we will be able to take advantage of our unique structure in Australia, our innovations in the UK, and the excellent opportunities we have in Asia."

Solvay to sell animal health businesses

By Neil Buckley in Brussels

Solvay, the Belgian pharmaceuticals group, is selling all its worldwide animal health businesses to American Home Products, the US healthcare products group, to concentrate on expanding its human pharmaceuticals business.

The Brussels-based group, which has operations in 44 countries, plans to complete the sale before the end of 1996, for a price of £1.16bn (\$449m). The sale will mark a complete withdrawal from

the animal health business, and should generate for Solvay a capital gain before tax of about £100m.

Solvay returned to profits in 1994 after extensive restructuring. Together with a £1.16bn (\$449m) credit line renewed last month with a group of European banks, the animal health business sale will leave it with reserves of about £100m.

Baron Daniel Janssen, chief executive, said Solvay planned to acquire human pharmaceuticals product lines or companies in the

last year achieved sales of £1.44bn, and earnings before interest and tax of £13.9m – 15 per cent of the group's total.

Baron Janssen said the group's share of the European pharmaceuticals market was more than 1 per cent last year, but it had only a 0.3 per cent market share in the US. He added that Solvay had already made some unannounced US buys this year and was continuing to examine opportunities.

Health care products is one of Solvay's five main business areas. The animal health sale follows a series of moves to strengthen Solvay's other sectors of alkalies,

COMPANIES AND FINANCE

Boots buys into French skincare

By Jane Martineau

Boots is to buy Laboratoires Lutisia, a French skincare company, for FFr290m (£115m) as part of a policy of enhancing its over-the-counter healthcare business.

The long-expected deal pushes Boots Healthcare International into the top 10 in the fragmented European OTC market.

The cash purchase comes three months after Boots spent £300m on a 5 per cent share buyback. Following yesterday's deal, NatWest, the house broker, estimated that net cash will be about £235m at the year-end.

Mr Alastair Eperon, director of corporate affairs at Boots, said the group would look for other purchases, particularly in Germany. "This was absolutely on strategy and we will continue to look for acquisitions at the right price."

Laboratoires Lutisia achieved sales of FFr315m (£39m) last year, chiefly with its Lutisia anti-acne and Onagrine anti-ageing products. Mr Eperon said the price, at almost three times sales, was in line with others in the sector.

He added that the seller, Roussel Uclaf, the quoted French subsidiary of Hoechst, the German pharmaceuticals group, had asked for the information not to be revealed.

In 1993, the last set of recorded accounts, Laboratoires Lutisia made a profit of about FFr20m, he said.

Boots' shares rose 4% to 640½p. Mr Sean Eddie, house analyst, said a purchase in the European OTC market had been expected for about two years.

OTC is considered a growth market because of the demands of an ageing population and the increasing trend for governments to move away from fully state provided healthcare.

Boots said yesterday that it intended to extend the range of Laboratoires Lutisia's products and to use its specialist sales force to promote other brands. Small cost savings would come from the transfer of the French company's staff to BH's head office in Paris.

The French group will pay off some FFr56m of inter-company debt before the deal gets the final go-ahead.

Replacement to be Antti Pankakoski, vice-president of shipbuilding at Kvaerner Cunard chairman Peter Ward to resign

By Tim Burt

Kvaerner, the Oslo-based international shipbuilding and engineering group, yesterday announced that Mr Peter Ward was resigning as chairman of its loss-making Cunard subsidiary.

The company, which

suggested the group had opted for a joint venture, because there were few ready buyers for the fleet, which requires upgrading and is not expected to return to profit before 1998.

Mr Ward said he had put

in place the new management structure and financial controls to return the company to the black, fulfilling a two year commitment to Trafalgar House, Cunard's former parent.

Officials said yesterday that talks were continuing with a number of possible partners, although a deal was not imminent.

Shipping industry analysts

suggested the group had opted for a joint venture, because there were few ready buyers for the fleet, which requires upgrading and is not expected to return to profit before 1998.

Mr Ward said he had put in place the new management structure and financial controls to return the company to the black, fulfilling a two year commitment to Trafalgar House, Cunard's former parent.

The chairman of the cruise line, formerly chief executive of the luxury carmaker Rolls-Royce, said he fully supported that investment programme and stressed that his departure did not reflect any strategy differ-

ences with Kvaerner.

"It's a personal decision," he added. "Cunard is a US-based operation. My family and children are in the UK and it's one of these cases where the takeover did not suit me personally." He will not receive any compensation for loss of office.

Mr Ward, a former president of the Society of Motor Manufacturers and Traders, said he would return to London this autumn, although not to a specific job.

Kvaerner, meanwhile, announced that Mr Ward would be succeeded in early November by Mr Antti Pan-

kakoski, currently vice-president of the Norwegian group's shipbuilding business area. Mr Pankakoski was formerly vice-president of Kvaerner's Masa yards in Finland.

The company said that the new Cunard chief "brings broad experience of working with the cruise industry and will continue to drive Cunard's reorganisation programme".

Analysts believe that if Kvaerner is to retain and develop Cunard, excess capacity at the Masa yards could be used to build new ships for the cruise line.



Peter Ward: plans to return to UK to rejoin his family

Nursing homes combine to survive

Justin Marozzi considers the implications of the merger of Takare and Court Cavendish

Until this month, consolidation had been more of a buzz-word in the care homes sector than a realistic indication of what was afoot.

Tentative moves towards rationalising the highly fragmented sector had failed to deliver anything of substance. In May, Court Cavendish bought Greenacres for £21.5m. In July, Westminster Healthcare made a £7.1m hostile bid for Goldsborough but was rebuffed.

The announcement a fortnight ago of the merger between Takare and Court Cavendish to create TC, by far the largest nursing home group, could show the way ahead for the depressed sector.

Nursing home companies have undertaken

to merge. Takare and Court Cavendish, admit they are like chalk and cheese in terms of personality, but argue their groups are ideal bedfellows.

Takare brings the capacity, Court Cavendish the more specialist services.

With 8,500 beds at 63 purpose-built nursing homes, Takare is the largest provider of long-term care to local authorities. Court Cavendish, an early believer in acquisition-led growth rather than new build, is a leading supplier to the private sector. Once merged, TC will have 126 homes, 11,742 beds, 13,000 employees and an asset base of £258m, with virtually no geographical overlap. Such is the frag-



Keith Bradshaw (left) and Chai Patel describe themselves, but they argue that their two groups, with virtually no geographical overlap, make ideal bedfellows.

mentation of the sector, however, that the new group will command just 2.5 per cent of the total nursing homes market.

After the deal, TC will have net debt of about £94m, giving gearing of 37 per cent. It says this leaves it scope to keep expanding. "We aim to acquire further nursing homes" without paying good will," says Mr Patel, pointing to the availability of quality developments which he says can be bought at or below book value.

Analysts have welcomed

the deal, but say the projected board, in which leading executives from both groups remain, looks top heavy.

Mr Bradshaw becomes executive chairman with Mr Patel as chief executive. Mr Bradshaw rejects the charge. The group's central overhead measured against sales was 3 per cent, he said, one of the lowest ratios in the business.

The group aims to work with long-term care insurers to help define the way ahead. "With our critical mass, we can be a potent agent for change," says Mr Patel.

Analysts have welcomed

Signet shares slip as predators consider their strategy

By Ross Tierman

Shares in Signet Group fell 2½p to 22p yesterday as predators circling the former Tatnalls jewellery chain took stock after a £27m sale of the UK stores collapsed.

Everest Capital funds revealed they had bought additional US preference shares in the wake of the announcement on Thursday

evening, taking holdings by so-called "value" funds to 25.35 per cent of the votes.

Meanwhile Goldsmiths Group, which tried to buy some of Signet's UK stores last year, revealed it had discussed getting control of part of the British Signet operation via a reverse takeover with Apax Partners, the venture capital group whose offer

was rejected by Signet after markets closed on Thursday.

The deal would have left Apax with 65 per cent of Goldsmiths. It would also have given Goldsmiths control of the Ernest Jones stores, which it tried unsuccessfully to buy in December.

Mr Jurek Piasiecki, chief executive of Goldsmiths, said the deal with Apax had

been discussed because Signet pulled out of talks with Apax after they failed to agree a strategy for liabilities arising from the transfer of leases on 400 stores.

It is also understood Signet sought to raise the price, after recording its first interim profit since 1990. This has apparently raised expectations that Signet may enjoy improved trading in

the crucial pre-Christmas period.

But analysts say Signet will remain under heavy pressure to cut borrowings. It has £300m of bank debt, £110m of arrears on preference dividends, and some £300m of preference stock in issue.

UK and US funds specialising in obliging management to release shareholder value

have been pressuring Mr McDonald to restructure the company's capital.

The Active Value Fund

has been the most vociferous.

It said: "Signet is trading well but there is a long way to go. They can't pay the dividend on the preference shares, and there has to be some sorting out of the capital structure."

Premier Oil's \$72m buy lifts Indonesian presence

By Patrick Harverson

Premier Oil, the independent exploration group, has stepped up its presence in south-east Asia by acquiring an Indonesian oil and gas company from Chevron, the US oil group, for \$72m (£46.4m).

The subsidiary, Sumatra Gulf Oil, owns 97 per cent of the Natuna Sea block "A" production sharing contract off the coast of Indonesia, which includes the Anoa oilfield and considerable gas reserves. Sumatra is a joint production contractor with Pertamina, the Indonesian state-owned oil company.

Gross proven and probable

gas reserves at Anoa have been estimated by Premier at 850bn cubic feet, and possible reserves 1,500bn cubic feet. Mr Jameson described the gas reserves as "the cream on the cake", although analysts said much depended on whether Premier could find a local market for it.

Analysts said another attractive element of the deal was that Sumatra came with 900m of deferred cost oil allowances relating to previous development expenditure by Chevron. They said Premier would be able to recover all the costs from future cash flow.

Edge Properties £17m buy

By Joan Gray

Edge Properties, the retail warehouse developer, is to pay £17.5m cash for the Battery Retail Park in Birmingham, partly funded by a £15.7m placing and open offer of 16.3m new shares priced at 100p.

The shares closed up 1p at 107½p.

Of the proceeds, £9.55m

will be used to expand the group's portfolio and enable it to retain development properties. The £6.15m balance will help fund the acquisition, with the remain-

No deal for Yates and Tom Cobleigh

By David Blackwell

A widely expected deal between Tom Cobleigh, the independent pub group floated last November, and Yates Brothers Wine Lodges, the Bolton-based independent drinks group, failed to materialise this week.

It is understood Yates, which floated in July 1994, is bitterly disappointed, but still keen to merge. However, Tom Cobleigh is thought to have received potentially higher cash offers.

Last Friday it issued a statement that it was in talks that could lead to a takeover. The group would make no further comment yesterday.

Shares in Tom Cobleigh closed up 3p yesterday at

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for year	Total last year
Atlas Converting	6 mths to June 30	2.98 (2.63)	25.57 (16.88)	7	Nov 19	7	-	22
Edge Properties	6 mths to July 31	5.27 (0.368)	0.408 (0.000)	1 (1.81)	-	-	-	-
Estates & General	8 mths to June 30	4.09 (3.51)	0.288 (0.188)	1.53 (0.188)	nil	nil	-	-
Grades	6 mths to June 30	14 (13.1)	1.53 (1.78)	5.121 (5.121)	1.5	Nov 4	1	4.5
Walker (Thomas)	Yr to June 30	4.13 (4.27)	0.12 (0.159)	0.625 (0.625)	Nov 8	0.825 (0.825)	0.805	0.805
Investment Trusts								
Bankers Investment	Yr to Oct 31	-	-	1.134	Nov 29	1.03	-	4.22
1st Caribbean Funds	6 mths to Aug 31	1.230	1.74 (-1.74)	30.47 (-30.47)	-	-	-	0.9
N Atlantic Fund	6 mths to July 31	378 (378)	0.448 (-0.190)	4.38 (-2.22)	-	-	-	0.1
Pacific Assets Ltd	6 mths to July 31	124.7 (131.5)	748 (450)	0.81 (0.51)	-	-	-	0.35
For Investment	Yr to July 31	1659.2 (1586.2)	1.86 (1.45)	48.15 (35.84)	11	-	10	41

Figures shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. On increased capital.

Compel Group 21% ahead

A strong performance across all areas of its business helped Compel, the computer services group, to a 21 per cent increase in pre-tax profits to £2.3m for the year to June 30, up from £1.9m. Mr Neville Davis, chairman, said the company had increased business with both new and existing customers. He expected the improvement to continue.

Tradepoint below break even

Trading volume on Tradepoint Financial Networks, the rival to the London Stock Exchange which opened last year, remained far below the break even level in the first 12 months of operation. The 230m of shares which Tradepoint said yesterday had been traded represents only 0.5 per cent of the UK equity market, compared with 2 per cent Tradepoint had said it would need to break even.

Nicholas Denton

"Although the Japanese market as a whole fell 7 per cent over the six months, good stock selection meant that our holdings have gone up by 2 per cent." Earnings per share were up to 1.31p (1.27p). The company does not pay an interim dividend.

Pacific Assets Trust, which bought NM Smaller Australian Companies Trust in July in exchange for shares and warrants, improved earnings per share from 0.6p to 0.65p.

TradePoint had said it would need to break even.

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"Although the Japanese market as a whole fell 7 per cent over the six months, good stock selection meant that our holdings have gone up

COMMENT & ANALYSIS

FINANCIAL TIMES

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Saturday September 21 1996

The fork in the Emu road

For some time now, the governments and financial markets of continental Europe have been singing the same tune. Call it the single-currency rap. The top line has occasionally wavered, but the bass has been unchanging: monetary union, any day, monetary union, come what may.

A few weeks ago, it was just possible for UK politicians to dismiss this as empty Europop. But no longer. Sceptics can still debate the merits of the piece. But they can no longer doubt the will behind it. Whether they like it or not, UK politicians will have to spend a large chunk of the time between now and the 1997 general election debating how, and whether, the UK could ever bring itself to play along.

Many on the continent would deny that the odds on Emu have changed so dramatically. For them, that the strong possibility of Emu is only now dawning in Westminster is proof that the UK is always several years behind the rest of Europe on matters communautaire.

They have a point. In the years since the Maastricht treaty was signed, Germany, France and others have scarcely made a secret of their desire to fulfil the convergence criteria and move forward with Emu. But European finance ministers meeting in Dublin this weekend now have a much clearer – and more credible – road map showing how they will get from here to there.

It will be next spring, at the earliest, before anyone has a clear idea which countries are likely to qualify for the first wave of Emu entrants. If the continental European economies do not recover as sharply as hoped, this could leave many countries – including France and Germany – with public debt, or borrowing that is excessive by Maastricht standards.

Less likely outcome

However, a string of recent budget announcements across Europe has made this outcome much less likely. Contrary to expectations, the German government managed to get its budget austerity programme through parliament more or less unscathed. With luck this will reduce next year's budget deficit by more than 1 per cent of GDP.

By and large, economists have been more willing to believe in Chancellor Helmut Kohl's budget forecasts than those of the French government – if only because the German econ-

omy looks set to recover much earlier than its neighbour.

Yet the draft 1997 budget, unveiled in Paris this week, showed that the French had no intention of leaving Emu at the mercy of a last-minute fudge on its behalf.

Better, by far, to announce the fudge in advance: a nifty transfer from France Telecom to the government, equal to 0.5 per cent of GDP. Assuming – bravely, perhaps – that the economy behaves tolerably well, this ought to be enough to put the deficit very close to the 3 per cent of GDP Maastricht target by next year.

Le quick fix

France was not the first country to resort to *le quick fix* – and it will not be the last. The signs are that the determination to achieve Emu will trump the concerns of the budget purists, and France's creative accounting will be allowed through.

Yet, as German officials well

know, that will provide the northern core with very few arguments for rejecting southern upstarts keen to join the first wave. Having staked all on being among the founder members, the Spanish, Italian and Portuguese governments will not take a rejection lightly.

The past few years have seen ideal conditions for the US stock market in particular. "Thinking back over 15 to 20 years, I am trying to remember when the underlying US economic picture was as good as it is now," says Mr Jonathan Francis, head of global strategy at Putnam Investment Management in Boston.

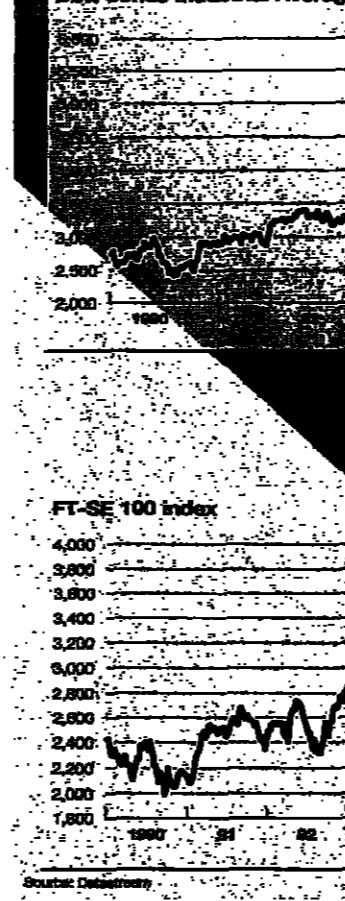
Inflation has been low, and occasional scares about price pressures, such as occurred in 1994, have come to naught. As a consequence, central banks and governments around the world have been able to allow interest rates to drop. In the US, the Federal funds rate averaged 9.4 per cent between the start of 1981 and the end of 1990. Since then, the rate has averaged just 4.5 per cent.

The US economy has been growing steadily since 1992 at rates of between 2 per cent and 4 per cent a year. All in all, the US has seen a "Goldilocks economy", in which growth has neither been too fast to cause inflationary pressures nor too slow to restrain profits, but "just right".

On top of that, the US corporate sector appears to have been able to cut its costs and become more efficient over the past 10 years. This is partly because of a shift towards greater flexibility in the labour market and partly because of the competitive edge given by the persistently weak US dollar. According to Goldman Sachs, the US investment bank, the operating profits of companies in the S&P Composite rose 15.6 per cent in 1993, 15.8 per cent in 1994 and 17.5 per cent in 1995.

The rest of the world has not seen such rosy conditions, with growth sluggish, particularly in Europe and Japan. Other markets have accordingly not kept pace. Since the start of 1991, the US stock market has risen by almost 108 per cent in dollar terms, while the FT/S&P Actuaries World Ex-US Index has gained just 43 per cent. But the general tide of low inflation and low interest rates has lifted all

FT-SE 100 index



Source: Reuters

boats and, as well as the US and UK, Frankfurt and Stockholm have recorded new market highs.

The key to further stockmarket gains, however, is the continuation of those favourable economic and monetary conditions. The US stock market stalled in the second quarter of the year as investors started to worry that the next move in US interest rates would be up.

Then, in July, world stock markets fell 4.2 per cent as investors became convinced that the US Federal Reserve would raise rates at its August 20 meeting. The yield on the benchmark 30-year Treasury bond moved up above 7 per cent.

But the mood abruptly switched as a series of economic statistics pointed to a slowdown. The Treasury bond rallied and so did equity markets. For much of this month, the markets have gyrated, as opinion about the outcome of next week's meeting of the Fed's open-market committee has switched between a half per

centage-point rise, a quarter-point increase or no move at all.

Overall, however, the markets seem to believe that, even if the Fed does raise rates, it will not have to do so substantially.

"The degree of interest rate concern is lower now than it was three months ago," says Mr Michael Hughes, global strategist for BZW, the investment bank.

In London, shares have also received a boost from a corporate results season which has been generally better than expected and which has seemed to confirm that economic growth is rebounding after a sluggish first half of the year. While that may restrict the chancellor's ability to make further rate cuts, especially given the public opposition of the governor of the Bank of England, few believe he will opt to increase rates with a general election due by May 1997.

European growth may have been sluggish, but markets are benefiting from interest-rate cuts – the Bundesbank reduced Ger-

many's key repurchase, or repo, rate by three-tenths of a percentage point in August – and from hope of a recovery in 1997.

There are also some who hope that European companies are discovering "shareholder value". A sign of this would be a wave of cost-cutting and demergers similar to that which has swept through the Anglo-Saxon corporate sectors and which would increase profitability.

Such "eagle in the air" arguments make some investors nervous. There are plenty of people who believe that the rally cannot last.

Notable among them is PDFM, the fund management group which is a subsidiary of the Union Bank of Switzerland. It has lower-than-average equity holdings and higher cash, because it believes equity markets are overvalued. "This is arguably the most serious overvaluation of assets this century," PDFM said this week.

Bears point to the Q ratio, a

measure which compares stock-market capitalisation to the net assets of companies at replacement cost. When Q is below 1, the market values companies at less than their assets and it is cheaper to buy a factory on the stock exchange than to build one.

Some have questioned the usefulness of the ratio, basing their objections on the way that land values are calculated. But even if land is excluded, the ratio is about 1.5, higher than at any time since the second world war. That ratio makes US shares look very expensive, as does the dividend yield on the S&P Composite, which, at about 2 per cent, is at a historic low.

Bulls believe that neither valuation measure is significant. The Q ratio can be dismissed, they say, because the modern service-based economy does not need the same level of tangible assets required in the manufacturing-based era. Besides, says Mr Joe Rooney, global strategist at Lehman Brothers, "people should be willing to pay more for assets if those assets are genuinely more profitable".

Dividend yields are not as significant for two reasons. First, US companies are growing fast and are reinvesting their profit in their business. Second, companies are returning cash to shareholders through share buybacks which are more tax-efficient than dividends.

Bulls also have ratios of their own which support their case. One popular valuation method in the US is to compare the earnings yield (company profits as a proportion of share prices) with the bond yield. A study by James Capel earlier this year found that this ratio had been one of the best predictors of US stockmarket movements.

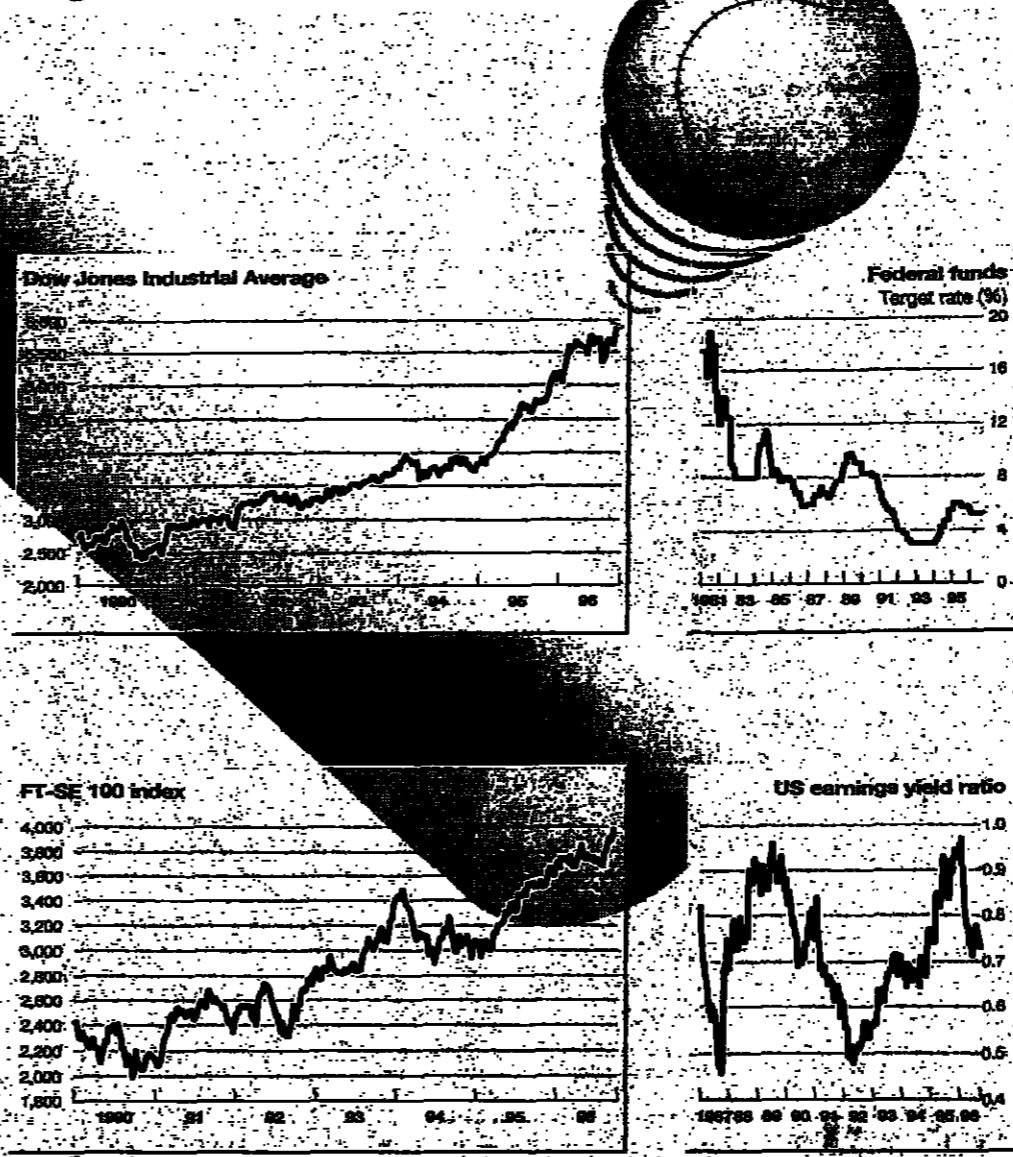
At the moment, the ratio shows the US market around the middle of its 10-year range and well away from danger levels recorded just before the crash of 1987.

Longer-term factors may also be supporting the US market. Mr Hughes at BZW says: "We believe the bull market has many years to run, although that is not to say that you can't have a setback for a quarter or two." He cites demographic factors, particularly an increase in the numbers of those aged 45-54, traditionally the age group which saves the most.

An increase in savings relative to the demand for capital should alter the fundamentals of the market, especially in the light of lower inflation. "I don't feel the valuation rules that have applied for the last 25 years are necessarily appropriate," says Mr Hughes.

In other words, it really is different this time. Bears have heard all these arguments before but for the moment, they are growling in the wings.

Big hitters: markets on a run



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5338, email letters@ft.com or posted letters@ft.com. Letters may be available for letters written in the main international languages.

A lesson in focus many have yet to learn

From Mr Julian Arkell,

Sir, Tony Jackson argues that "the fashion for [managerial] focus has gone too far", saying that companies should "fix what is broken themselves, and not just extract value for their shareholders, instead of handing it to somebody else" ("A failure of managerial nerve", September 16).

Mr Jackson may have lost sight of the competitive advantage that the focus on core skills also confers on the suppliers of services. No one company can be specialist and innovator in the many "producer services" needed by manufacturers because up to 70 per cent of the added value of their products comes from services such as market research, engineering design and testing, training, marketing, advertising, legal and accountancy, logistics and transport maintenance, cleaning and security.

Service companies can develop strong brand names through providing cost-effective, innovative services, through

quality-controlled delivery. Their clients cannot create the conditions in-house to retain such a range of heterogeneous skills, to attract highly paid managers and invest in continuing improvement, nor reaping economies of scale.

Instead they see the value of retaining a handful of specialists who develop close relations with selected strategic supplying partners, and keep them on their toes by demanding high standards and service from properly qualified staff experienced in their field.

In-house, non-mainstream departments are akin to monopolists in a protected market, with no incentive to become more cost effective and innovative. This is a lesson yet to be learned by many large corporations in continental Europe.

Julian Arkell,
PO Box 41,
Mussupia 2,
07712 San Clemente,
Menorca, Spain

Landing-slots issue more important than cabotage

From Mr John Dodson,

Sir, Mr Robert Crandall, chairman of American Airlines, states: "There's no point in talking about it any more," when referring to the US government's position on cabotage agreements ("When less really means more", September 17). If this is so, then surely by the same token any concessions coming from the UK government for flights to third countries should be dealt with in the same manner.

Just because other European countries were unable to negotiate a good deal for themselves with Washington doesn't mean that London should

follow their lead. If the US wants access to third countries from Heathrow, then it has to be prepared to allow access to its own internal markets.

The real issue is surely one of opening up landing slots at Heathrow. This should not be too difficult to arrange. Washington and London should leave aside the issue of cabotage and onwards travel to third countries and do a deal based on access to Heathrow.

John Dodson,
1751 SW 83rd Ave,
Miami,
Florida, US

Sweden to meet budget target

From Mr Svante Oberg,

Sir, I would like to point out that Sweden certainly intends to meet the 3 per cent budget target, contrary to what was stated in your article "Mad dash for the line" (September 20).

In the budget proposal presented yesterday, the public

finances were projected to show a deficit of 2.6 per cent of gross domestic product in 1997 and to be in balance in 1998.

Svante Oberg,
state secretary,
Ministry of Finance,
S-103 33 Stockholm, Sweden

Research for Camelot not invalidated by being in commercial world

From Mr Ray Stone,

Sir, In his recent letter (September 12) Lord Haskel cited the work we undertook for Camelot on employment creation as a result of the National Lottery, as an example of "contrived" research, and expressed surprise at The Henley Centre's acceptance of the brief. Most research undertaken in the commercial world is limited

in its focus and to that extent it is "contrived". This does not invalidate the research, however, provided the parameters of the research are clearly stated. When the research is to be placed in the public domain, it is even more critical that such safeguards are put in place and this was the case with the Camelot research.

As an organisation whose reputation is built strongly on

the rigour of our research and our independence and objectivity, we would be unwilling to undertake work that compromised our standing in any way. It is for this reason that the Henley Centre retains full editorial control over any public presentation of work undertaken for a particular client.

While we would admit the jigsaw is still far from complete

THE WALPOLE COMMITTEE

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Taking part are:

Arthur Brett & Son	Beefeater Gin
Betts and Taylors of Harrogate	British Airways
Chewton Glen Hotel	Coutts & Co
DAKS Simpson	The Dorchester
The Drambuie Liqueur Company	Financial Times
William Grant & Sons	Henry Poole & Co.
Holland & Holland	Land Rover
Laphroaig	Penhaligon's
The Savoy Group of Hotels & Restaurants	Turnberry Hotel
Walkers Shortbread	British Tourist Authority
The Royal Oak Foundation for The National Trust	The Victoria & Albert Museum

To RSVP or to receive additional information on this event, please call Melissa Mendenhall at The British-American Chamber of Commerce on (212) 661 4060.

Ticket prices: BACC Members \$50
Non-BACC Members \$65

الجامعة

Man in the News • Ryutaro Hashimoto

Combative master of style

William Dawkins on the appeal of Japan's tough-talking prime minister

Mr Ryutaro Hashimoto's skills as a practitioner of the ancient Samurai sport of *kendo* - fencing with a two-handed bamboo stave - have been much in demand in the past few weeks.

This typically Japanese martial art requires physical agility and deft timing to catch an opponent off-guard and strike a designated weak spot - at the throat, forehead or arm. The right moment and unsettled opponents are exactly what Japan's prime minister has been looking for in picking a date for the country's next general election.

But he finally seems close to making up his mind. The cabinet yesterday ratified a decision by the three coalition leaders to recall parliament next Friday - to allow Mr Hashimoto to decide the date, which members of his conservative Liberal Democratic party expect to be in October.

At stake is the rehabilitation of the party, which governed Japan single-handedly for nearly four decades until 1993, a period of political stability that contributed to the country's formidable economic and industrial power.

The party was driven ignominiously into opposition, at the last general election, in 1993, by an electorate fed up with political corruption and government by the obscure whim of its factional barons. Since then, Japan has been governed by

four wobbly coalitions, none of which has quite succeeded in building a new power structure to replace the old. In the latest, the LDP is the largest party in a fractious alliance with the centre-left Social Democratic and New Harbiners parties.

This turbulence overlapped with the longest phase of economic stagnation since the 1930s, causing many voters - and indeed Japan's foreign partners - to wonder whether it can ever regain the self-confidence and economic clout of the last decade.

In recent opinion polls are a guide to voting intentions, the LDP is in the ascendant. But the reason is not that it is popular, so much that its potential allies and opponents have become self-destructively consumed by internal rivalries.

There are, however, risks in Mr Hashimoto's gamble. First, he would prefer to delay the election, but is being pushed to the polls by the rank-and-file which is impatient to capitalise on the party's popularity.

Second, despite the LDP's lead in the polls, it still commands only 30 per cent of

popular support - partly because of the recent row over the bail-out of bankrupt housing-loan companies. The undecided vote is more than half of the total, an unprecedented level which reflects the low esteem in which the Japanese hold the working class.

To add to the uncertainty, the poll will be held under an untested new electoral system. This gives urban voters - who include a mass of disgruntled, over-regulated salariedmen and young people with uncertain job prospects - more of a say, at the expense of hitherto placid rural districts.

Given the parties' lack of appeal, personal image will count for a lot in winning votes, is Mr Hashimoto the man for the job?

It is not the most likeable modern Japanese politician. A master of style and detail, his is known for his Elvis Presley hairstyle, snappy three-piece suits and two well-publicised love affairs - neither of which, endearingly, seem to have left any rancour. These characteristics make Mr Hashimoto stand out against rivals such as Mr Ichiro

Ozawa, the publicity-shy leader of the opposition New Frontier party.

And yet there is a suspicion that the mind is not as refreshing as the style. Mr Hashimoto has been criticised by the opposition for failing to sketch out the big picture of Japan's future.

His book *A Vision of Japan* illustrates the point. It is well-stocked with photographs of the author meeting other world leaders, but concludes blandly that Japan's future should be to seek a position of pride in a peaceful and prosperous world.

Much has been made of Mr Hashimoto's drive - yet this can also be a weakness when it expresses itself in outbursts of temper. In one famous incident, he nearly came to blows with a fellow politician who praised the decision to arrest the late Kakuei Tanaka on bribery charges. The former prime minister had been Mr Hashimoto's political godfather.

One aspect of Mr Hashimoto's personality which goes down well with the older generation, and with an expanding rightwing minority among the young,

is his nationalism. Last month he paid a highly symbolic visit to central Tokyo's Yasukuni shrine, where Japan's war dead - including some war criminals - are buried. He was the first prime minister to do so in just over a decade, incidentally a sign of the party's newfound confidence.

Mr Hashimoto's break with previous leaders' reluctance to assert national identity alarms Japan's Asian neighbours, but has broad appeal in Japan. When he was minister of international trade and industry last year, his tough stance in the dispute with the US over access to the Japanese car market also went down well with the electorate. Voters were cheered to see a Japanese politician playing tough on the international stage, at a time when their self-confidence was ebbing after a series of blows, such as the Kobe earthquake.

In fact, Mr Hashimoto was merely following the get-tough brief written by his bureaucrats, at least in the formal negotiations. But that, according to his critics, merely highlights his weaknesses: while a diligent

student of detail, such as the finer points of quality checks on imported cars, he is weak on overall strategy.

"He can tackle specific matters well, but he cannot draw a big picture to mobilise a large number of people," says Mr Minoru Morita, a leading political commentator. "Like many other Japanese politicians, he doesn't have any clear political philosophy or ideology."

If Mr Morita is right, this invites the question of whether Mr Hashimoto's attempt to strengthen the party's grip will bring any change to the way in which the world's second-largest economy is governed.

The signs are that a Hashimoto election success will at least bring faster moving and more decisive government. This will be welcomed by foreigners, who have complained that the classic problem of doing business in Japan - not knowing who is in charge - has got worse during the political upheavals of the past three years.

But it is not clear that a return to stable government under Mr Hashimoto will allow politicians to spend more time working on good policies and less in peddling influence. Optimists hope he will feel under enough pressure from the disgruntled or indifferent majority of voters to focus more on effective government and less on mere survival. For Japan, that much progress would be remarkable.



A storm in the haven

Jersey's role as an offshore financial centre is under attack, says Jim Kelly



ory - he had ceased to be an active partner 10 years earlier. But another senator, Stuart Syrett, said the incident "reeked of sleaze" - and was thrown out of the States when he refused to withdraw the allegation.

The man who is steering the legislation through the States is Senator Pierre Horsfall, chairman of the finance and economics committee. When the law comes up for its final reading on Tuesday, he hopes it will be passed but plans to call for an inquiry into the affair.

"We run this island as a partnership with the people who operate here," he says. "We only let the best in and there is nothing unusual in the industry feeding us ideas. We were offered their resources to produce a law we would want. They did not pay us any money - they were offering legal advice to our draftsman."

Mr Horsfall believes the law will benefit Jersey's offshore financial industry by attracting more professional firms. "When people want to put their money offshore they go to their law-

yers and accountants," he says. But the chances of attracting more offshore business have not been helped by a simmering financial scandal. Dr Robert Young, a currency dealer, was arrested in the UK in August and taken to Jersey where he was charged with fraud in connection with foreign exchange losses of \$26.7m (£17.1m) between 1988 and 1993 allegedly suffered by 90 international clients of Swiss-based investment managers.

The losses have sparked several legal actions - including a civil action by some of the intermediaries against Caudre Private Bank Switzerland, a subsidiary of Union Bank of Switzerland. The action alleges the bank had used Dr Young as an agent, had "shut its eyes" to the losses and had failed to warn its clients. Caudre strongly denies the charges, saying Dr Young was self-employed and in total control of the trading and that it had no right to interfere.

A separate action has been launched against Jersey's finance and economics committee, seeking a judicial review of its decision in 1994 not to undertake an investigation into the affair. When the issue came before the committee, its chairman was Mr Horsfall - a former non-executive director of Caudre. Mr Horsfall's past interest in the bank had been voluntarily disclosed but with hindsight he says he should have excused himself from the deliberations.

These developments have led some to conclude that Jersey's authorities are not up to the job of regulating the island's financial services industry. The overlap of commercial and political life, seen on the island as beneficial, has led to adverse comment.

Mr Horsfall can point to reforms in financial regulation already under way. For example, a Financial Services Commission will start regulating the industry in 1998.

But much is at stake for the island, which in 1993 got 52 per cent of its gross domestic product from banking and finance. Such income has helped keep Jersey's income tax at 20 per cent since 1940 and unemployment below 1 per cent. The risk that overseas confidence might falter has already led some critics in the States to moderate their attacks.

Rocky state of independence

Bruce Clark and Laura Silber on the prospects for stability in Bosnia



Party faithful: supporters of Alija Izetbegovic before the vote

US pressure was the main factor in ensuring the first part of Bosnia's complex electoral process went ahead on September 14. The Americans overruled complaints from Bosnia's Moslems that freedom of speech and movement, guaranteed by Dayton, were far from being established.

Washington's influence was also behind the decision to postpone until November the municipal elections. This could require a huge military effort to protect voters who insist on voting in home towns from which they were expelled.

And Mr Richard Holbrooke, the architect of the Dayton accord who returned to the Balkans to observe the poll, made a surprising prediction. The US envoy said Mr Izetbegovic - whose election he clearly regarded as certain - would normalise relations with Mr Slobodan Milosevic, the Serbian president and his erstwhile enemy, within the next few weeks.

Western credibility has been tarnished enough in Bosnia," says Mr Michael Williams, a Balkan expert at the International Institute for Strategic Studies in London. "If the Dayton accord collapses, we would be heading back to the abyss."

It was a telling sign of the importance of US pressure in maintaining the peace process. Relentless pressure from Washington will be needed if full diplomatic relations are to be established between Belgrade and Sarajevo, which would isolate the Bosnian Serbs, and undermine their aim of secession from the new Bosnian state.

Within hours of the news that

Mr Izetbegovic had won, he was mapping out the future with a group of western mediators, including Mr Carl Bildt, the Swedish politician who is overseeing the civilian aspects of the peace process. Mr Bildt, who coordinates the work of a gangle of multinational organisations, has drawn up a package of constitutional and economic measures which need to be passed quickly by a new Bosnian parliament - on privatisation, citizenship, a new central bank and a currency board.

To appease ethnic pride, Mr Bildt suggests that Bosnia's new banknotes might carry different markings in different regions. But there are still fears the republic's legislature could be paralysed by quarrels over symbols. Most Serbs and Croats reject the fleur-de-lis, the flag under which the Bosnian army fought

the war, as a Moslem badge. Mr Bildt has to face the reality that on certain issues, he can simply be overruled by Washington. For example, he favoured bringing all three members of Bosnia's collective presidency to New York next week for the UN General Assembly - until he was firmly told by US officials that only Mr Izetbegovic would go.

Irritating as these quarrels may be, western policymakers recognise the need to preserve the appearance of unity when facing Balkan power-brokers who are adept at exploiting divisions. In the words of Mr Michael Steiner, the German diplomat who is deputy to Mr Bildt: "The international community must stay here with adequate muscle, and it must speak in one voice, which will counteract the separatist tendencies in Bosnia."

For western mediators like Mr Steiner, the best hope of integrating the Serb entity into a loosely united Bosnia lies in making its citizens feel they have something to gain from the multi-ethnic state - and everything to lose by seceding. The international community's most powerful weapon is its control of financial aid, which it has insisted will be funnelled through pan-Bosnian institutions.

According to Mr Steiner, the hardline Serbs have to be told firmly that if they insist on abandoning Bosnia, "Republika Srpska will end up nowhere."

If economic aid is the world's most effective carrot, observers agree the biggest stick has been the presence of well-armed Nato peacekeepers. While critics have described their mandate as too limited, they have had a big psychological effect in persuading all sides to stick to the agreement.

Almost every western policy-maker engaged in Balkan policy believes that some international military presence will be needed after next December, when Nato's mandate expires.

But whether the US - which holds Nato's peacekeeping effort together - is prepared to remain involved on the ground is still an open question. If it does not, the new Bosnian state may fare little better than its predecessor.

Trombone player's influential legacy

Sir Brian Pitman's record as Lloyds' chief executive has been remarkable, says George Graham

For 13 years, the fortunes of Lloyds Bank, and now of the Lloyds TSB group, have been so closely entwined with the personality of Sir Brian Pitman that it became almost unthinkable to contemplate what might happen when he handed over the helm.

Yesterday, Lloyds TSB signalled the beginning of the end of the Pitman era when it announced that Sir Brian's role as chief executive would pass next year to Mr Peter Ellwood, the former chief executive of TSB Group and now the combined group's deputy chief executive. Sir Brian, who turns 65 in December, will move up to the chairmanship.

Few people have left a deeper mark, not just on Lloyds, which has seen its market value rise from \$1bn to more than \$20bn under his command, but on the whole UK banking industry.

"He has been the most influential UK banker of the last 20 years," says Mr Richard Coleman, banking analyst at Merrill Lynch, the stockbroker. Sir Brian has served half a



On the way up: Brian Pitman (left) and Peter Ellwood

deal is to be completed, with Lloyds' \$1.7bn bid, announced yesterday, for the minority stake in Lloyds Abbey Life.

In 1994, Lloyds triggered an upheaval in the UK mortgage market when it paid \$1.5bn for the Cheltenham & Gloucester building society. It was in the society's mortgage accounts department, incidentally, that Sir Brian made his start at the age of 17.

Then, last year, Lloyds merged with the TSB in the first large combination of UK clearing banks for 30 years, creating what is today Lloyds TSB.

Perhaps as important as these completed deals have been the opportunities Sir Brian has spurned. These include fashionable acquisitions over which several of Lloyds' rivals have come to grief, such as retail banks in the US and continental Europe. London stockbrokers

have been clear about their overall direction, there have been a number of detours along the way.

Sir Brian's first major acquisition target was Standard Chartered, the London-based international bank with a strong presence in the Pacific region. The \$1.27bn offer was rejected; had it succeeded, Lloyds might look very different today.

Lloyds' \$2.7bn bid for Midland Bank in 1992 also failed, although banking analysts again believe Sir Brian was ahead of his time in recognising the cost-savings that could be achieved from a merger with another bank.

With such a string of deals, both successful and unsuccessful, it is easy to lose sight of the internal transformation that has given Lloyds one of the lowest ratios of costs to income in the UK banking industry and produced some of the best returns to shareholders.

Competitors are still not entirely sure about the secret of Lloyds' success. They wonder if its banking policies to its banking customers than they themselves do. Some hope that it will not continue to do so without Sir Brian.

That may be wishful thinking. Mr Ellwood, his successor, made Barclays' credit card business so prof-

itable that the bank stopped giving the figures separately. He had made some headway in improving the profitability of the TSB's retail banking business before last year's merger.

He may be a smaller and more reticent figure than the burly Sir Brian - he plays the violin, Sir Brian the trombone. But he is widely regarded as one of the ablest managers in UK financial services.

The biggest question may be how much freedom Mr Ellwood will have to run the group, where some of the managers are prone to making decisions less on their own judgment than on what they think Sir Brian might think.

It can safely be predicted that Sir Brian will not be the most non-executive of chairmen. If he continues until the age of 70, like his predecessor, Sir Robin Ibbes, he could still be guiding Lloyds well into the next century. But Lloyds shareholders, who have seen their shares increase in price from \$6 to \$10.50 during his tenure as chief executive, are unlikely to complain about that.

Franc fortified

MARKETS REPORT

By Richard Adams

The French franc powered ahead against the D-Mark on currency markets yesterday, carried along by a tide of optimism on the prospects for the establishment of European monetary union.

The franc bounced to its highest level for two months against the D-Mark, to DM3.389 by close of trading in London. It rose a centime and a half from its previous close of DM3.304 on Thursday.

Trading in the US dollar was quiet, as markets looked towards the next Federal Reserve monetary policy meeting on Tuesday for a possible interest rate increase.

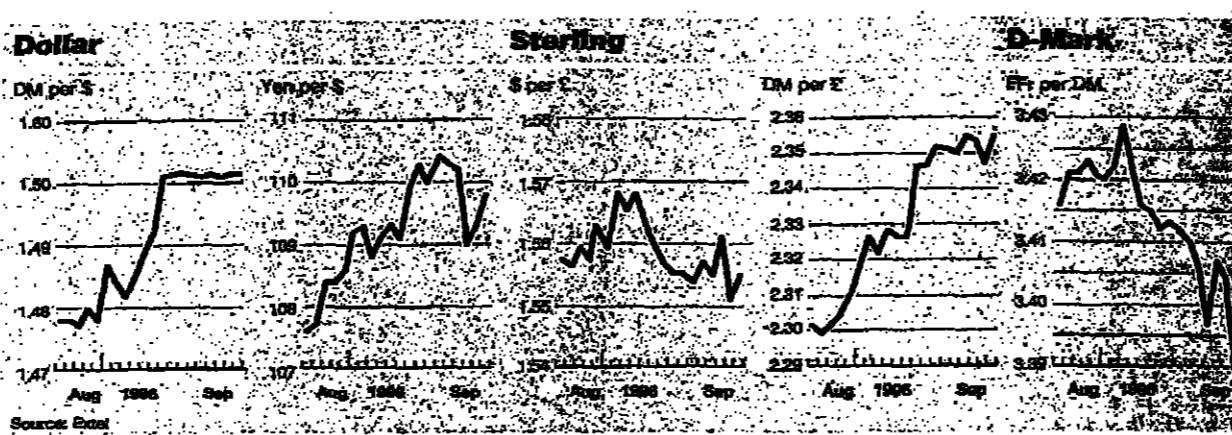
The dollar continued its trend upwards against the yen, to Y109.795 from Y109.275. It also firmed against the D-Mark, ending in DM1.5140 from DM1.5140.

Other European currencies gained against the dollar. The French franc climbed almost two centimes, to FFrs1.1361 from FFrs1.1352. The Swedish krona soared to SKr6.6172, from the previous day's low of SKr6.6351.

Sterling profited from its position between the US and the Euro zone in Europe, by gaining against both the dollar and the D-Mark. It finished at \$1.5851, from \$1.5850. Against the D-Mark sterling finished at DM2.3358, up

from DM2.3430.

The French franc's success in breaking away from the FFrs1.141 level against the D-Mark means fewer worries at the European Union finance ministers meeting in Dublin today about the sta-



Source: Fxstat

bility of European exchange rates required for the success of Euro.

Dealers in London said the franc's buoyancy against the D-Mark was due to optimistic "convergence" trades. Traders willing to bet that Euro will go up are happy to sell D-Marks to buy French francs, on the basis that the eventual Euro currency replacing both will be better value than the franc.

Market traders and analysts in London said yesterday the volume of D-mark/

FFr trades had been huge, perhaps three times higher than the normally much heavier business between the dollar and D-Mark.

Optimistic orders accelerated the franc's rally. Two large US investment houses were selling D-Mark call options, dealers said.

Some traders said the French markets had also been given a lift by the government budget unveiled this week, which predicted a 3 per cent budget deficit in 1997. The deficit figure meets

one of the criteria in the Maastricht treaty for participation in Euro.

But the franc's strength could be undermined by a hostile reaction to the budget. Mr Louis Vianet, head of France's CGT union, attacked the budget, but said he could not tell whether the public reaction would lead to unrest.

Interest rate speculation was still overhanging the currency markets in the US, with the main topic of con-

WORLD INTEREST RATES										
September 20		Over night	One month	Three months	Six months	One year	Lomb. rate	Dis. rate	Repo rate	
Belgium	5.1	3.1	3.1	3.1	3.1	3.1	4.00	2.50	-	
week ago	5.1	3.1	3.1	3.1	3.1	3.1	4.00	2.50	-	
France	5.1	3.1	3.1	3.1	3.1	3.1	3.35	2.75	4.75	
week ago	5.1	3.1	3.1	3.1	3.1	3.1	3.35	2.75	4.75	
Germany	3	3	3.1	3.1	3.1	3.1	4.00	2.50	3.00	
week ago	3	3	3.1	3.1	3.1	3.1	4.00	2.50	3.00	
Ireland	5.1	3.1	3.1	3.1	3.1	3.1	4.00	2.50	6.25	
week ago	5.1	3.1	3.1	3.1	3.1	3.1	4.00	2.50	6.25	
Spain	5.1	3.1	3.1	3.1	3.1	3.1	4.00	2.50	5.25	
week ago	5.1	3.1	3.1	3.1	3.1	3.1	4.00	2.50	5.25	
Netherlands	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	3.00	
week ago	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	3.00	
Switzerland	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.50	
week ago	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.50	
US	5.1	5.1	5.1	5.1	5.1	5.1	5.00	5.00	5.00	
week ago	5.1	5.1	5.1	5.1	5.1	5.1	5.00	5.00	5.00	
UK	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	
week ago	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	

Source: BIS London FT London

Interest rates are offered rates for \$100 quoted to the market by four major London banks on 11th August 1996, being the working day. The banks are Standard Bank, Bankers Trust, Bank of America and National Westminster.

Mid rates are shown for the domestic Money Rates. US CDs, ECU & SDR Listed Deposits (Dis).

EURO CURRENCY INTEREST RATES

Sept 20 Short term 2 days 1 week 3 months 6 months One year

Belgium Franc 3.2 3.1 3.1 3.1 3.1 3.1 3.1 3.1 3.1 3.1 3.1

Denmark Krone 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

D-Mark 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Dutch Guilder 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

French Franc 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Portuguese Esc 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5

Spanish Peseta 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5

Swiss Franc 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

UK Pound 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

US Dollar 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Week ago 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

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Dutch Guilder 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

French Franc 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Portuguese Esc 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5

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UK Pound 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

US Dollar 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Week ago 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

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D-Mark 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Dutch Guilder 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

French Franc 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Portuguese Esc 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5

Spanish Peseta 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5

Swiss Franc 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

UK Pound 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

US Dollar 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Week ago 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

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D-Mark 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Dutch Guilder 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

French Franc 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1

Portuguese Esc 7.5

UNIT TRUSTS

■ WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

	Mercury Recovery
NetWorth UK Smaller Cos	1,421
Johnson Fry Slater Growth	1,375
Jupiter European	1,371
Mercury Recovery	1,366
Baring Europe Select	1,348

BOTTOM FIVE OVER 1 YEAR

	GT Korean Securities
Save & Prosper Korea	677
Baring Korea	703
Old Mutual Thailand Acc	716
Schroder Seoul	728
GT Korean Securities	764

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Indices

	Average Unit Trust
Average Income Trust	1,054
Bank	1,068
Building Society	1,114
Stockmarket FT All-Shares	1,134
Inflation	1,021

UK Growth

	Jupiter UK Growth
Credit Suisse Fellowship Inc	1,214
Johnson Fry Slater Growth	1,196
Sanwa UK Growth	1,175
Barclays Unit Leisure	1,188
SECTOR AVERAGE	1,103

UK Growth & Income

	Credit Suisse Growth Port Inc
Prolico Blue Chip	1,107
Mercury UK Equity	1,128
Lazard UK Income & Growth	1,114
Cazenove UK Equity	1,133
SECTOR AVERAGE	1,077

UK Smaller Companies

	Laurence Keen Smaller Cos
INVESTCO UK Smaller Companies	1,319
Hill Samuel UK Emerging Cos	1,275
Gartmore UK Smaller Companies	1,200
AES Smaller Companies	1,250
SECTOR AVERAGE	1,122

UK Equity Income

	Jupiter Income
GT Income	1,173
Lazard UK Income	1,158
Britannia High Yield Inc	1,117
BW UK Equity Income	1,146
SECTOR AVERAGE	1,053

UK Equity & Bond Income

	Prolific Extra Income
Bellville Gifford Conv & General	1,065
CU PPT High Yield	1,022
Edinburgh High Distribution	1,132
Cazenove UK Equity & Bond	1,037
SECTOR AVERAGE	1,057

UK Equity & Bond Income

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Indices

	Newton Intrepid
Bank	1,059
TSB International Income Inc	1,073
TSB International Income Inc	1,073
SECTOR AVERAGE	1,003

International Fixed Interest

	Baring Global Bond
Thomson Dresdner Europe Bnd	1,078
Mercury Zero Preference	1,078
TSB International Income Inc	1,073
SECTOR AVERAGE	1,003

International Equity Income

	Newton Intrepid
Bank	1,059
TSB International Income Inc	1,073
TSB International Income Inc	1,073
SECTOR AVERAGE	1,004

International Equity & Bond

	Prolific Technology
Flemington Conv & General	1,117
CU PPT High Yield	1,022
Edinburgh High Distribution	1,132
Cazenove UK Equity & Bond	1,037
SECTOR AVERAGE	1,049

International Growth

	Prolific Technology
Flemington Conv & General	1,117
CU PPT High Yield	1,022
Edinburgh High Distribution	1,132
Cazenove UK Equity & Bond	1,037
SECTOR AVERAGE	1,049

International Growth

	Prolific Technology
Flemington Conv & General	1,117
CU PPT High Yield	1,022
Edinburgh High Distribution	1,132
Cazenove UK Equity & Bond	1,037
SECTOR AVERAGE	1,049

North America

	North Atlantic Smaller Cos
Gartmore American Smaller Cos	1,083
American Opportunity	1,085
US Smaller Companies	1,096
American	1,139
SECTOR AVERAGE	1,112

Continental Europe

	TR European Growth
Fleming European Fd	1,094
Contra-Cyclical Capital	1,094
Exmoor Dual Inc	1,094
Fulcrum Capital	1,094
SECTOR AVERAGE	1,020

Pan Europe

	Kleitman Conv & Gen
Edinburgh Conv & Gen	1,094
Contra-Cyclical Capital	1,094
Exmoor Dual Inc	1,094
Fulcrum Capital	1,094
SECTOR AVERAGE	1,020

Japan

	Fleming Japanese
GT Japan	1,040
Edinburgh Japan	1,044
Bailie Gifford Japan</	

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

1st Name Suffix

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Date

Price

Date

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Offshore Funds and Insurances

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Higs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA										EUROPE										ASIA & AUSTRALIA										MIDDLE EAST & AFRICA											
UNITED STATES (Sep 20 / US\$)										UNITED KINGDOM (Sep 20 / £)										NETHERLANDS (Sep 20 / Fr.)										SAUDI ARABIA (Sep 20 / Dinar)											
(4 per close)										1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987		
AMR	205.00	203.00	197.00	195.00	193.00	191.00	189.00	187.00	185.00	199.00	197.00	195.00	193.00	191.00	189.00	187.00	185.00	183.00	199.00	197.00	195.00	193.00	191.00	189.00	187.00	185.00	183.00	181.00	179.00	177.00	175.00	173.00	171.00	169.00	167.00	165.00	163.00	161.00			
AMT	82.00	81.00	79.00	78.00	77.00	76.00	75.00	74.00	73.00	82.00	81.00	80.00	79.00	78.00	77.00	76.00	75.00	74.00	82.00	81.00	80.00	79.00	78.00	77.00	76.00	75.00	74.00	73.00	72.00	71.00	70.00	69.00	68.00	67.00	66.00	65.00	64.00	63.00	62.00	61.00	60.00
ASA	82.00	81.00	80.00	79.00	78.00	77.00	76.00	75.00	74.00	82.00	81.00	80.00	79.00	78.00	77.00	76.00	75.00	74.00	82.00	81.00	80.00	79.00	78.00	77.00	76.00	75.00	74.00	73.00	72.00	71.00	70.00	69.00	68.00	67.00	66.00	65.00	64.00	63.00	62.00	61.00	60.00
AT&T	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	111.00	110.00	109.00	108.00	107.00	106.00	105.00	104.00	103.00	102.00	101.00	100.00		
AT&T Corp	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.00	113.00	112.00	120.00	119.00	118.00	117.00	116.00	115.00	114.0																

WORLD STOCK MARKETS

Dow near peak, awaiting new data

AMERICAS

US shares were higher at mid-session although there was no new economic data released to give WALL STREET guidance about whether the Federal Reserve's Open Market committee would raise interest rates at Tuesday's meeting, writes Lisa Bryant in New York.

Trading was especially active due to the expiration of options and futures on shares and share indices known as "triple witching".

By 1pm more than 33m shares had changed hands on the New York Stock Exchange. The Dow Jones Industrial Average was up 19.98 to 5,887.72, less than 2 points shy of the all-time record set on Monday. Meanwhile the Standard & Poor's

500 was holding a gain of 3.07 at 686.07, just past its all time record, also set on Monday. The American Stock Exchange composite was 0.35 higher at 565.79.

Rising shares in the Dow included Boeing, \$1 stronger at \$93.8, Procter & Gamble which climbed \$1 at \$92.4, and United Technologies which advancing \$1 at \$119.4. All three oil companies in the Dow were also stronger. Texaco added \$1.4 at \$86. Chevron was \$1 stronger at \$82.4 and Exxon added \$1.4 at \$87.

Technology shares were particularly strong in spite of volatility at Microsoft. The Nasdaq composite was 6.50 stronger at 1,218.59 and the Pacific Stock Exchange technology index gained 0.9 per cent.

Microsoft was 5% lower at

\$137.6 in the wake of the announcement, after the market closed on Thursday, that the Justice Department had opened another antitrust investigation of the company, this time related to its Internet browser software Internet Explorer.

That news helped Net-scape communications to jump \$4 or 9 per cent at \$49.5. Netscape and Microsoft have been locked in a fierce battle for control of the Internet browser market.

Online service companies also gained. America Online was up \$2 or 6 per cent at \$35.4 and CompuServe gained \$4 or 5 per cent at

\$18. Ventron added \$3 or 19 per cent at \$18.05 on news that the FDA had approved that sale of its implantable heart defibrillator.

SAO PAULO was led

TORONTO reversed early modest losses to push share prices back to the upside at the end of the morning session. At noon, the TSX-300 composite index was up 5.49 at 281.61.

Golds, hit by a weak bullock price, were the laggard sector with a decline of 1.1 per cent. Banking shares topped the sector rankings with a gain of 0.74 per cent.

CARACAS was higher in active trade and by mid-session, the Merinvest composite index was at 151 higher at 240.25 as foreign investors continued to take positions in the market.

Analysts noted that the market's rally over the previous five sessions, during which time it rose 5.5 per cent, had been largely sparked by foreign demand.

SAO PAULO was led

higher by further gains in the benchmark Telebras stock and by mid-session, the Bovespa index stood 642 up at 65,244. Telebras preferred rose 1.6 per cent.

SOUTH AFRICA

Bullion price worries got the better of sentiment in Johannesburg and at the close the overall index was off 4.0 at 6,935.8 in spite of solid demand for industrial stocks. Industrials ended 14.4 ahead at 8,190.8.

But most of the day's

action was in golds were the

index came off 21 to 1,737.9 after bullion dipped below the \$382 level. Dealers saw the sight of a silver price

sliding to an 18-month low

had been the main reason

for the weaker bullion price

With an extra push from a

long-awaited handshake in

early September between Mr Benjamin Netanyahu, the Israeli prime minister, and Mr Yasir Arafat, president of the Palestinian Authority,

shares in Tel Aviv have

recovered strongly over the

past month, mitigating a

midsummer crisis in the

capital markets.

Constituents of the bench-

mark Mischman index have

gained about 14 per cent in

the past three weeks.

Purchases of bonds by the

Bank of Israel have nar-

rowed the differential

between equity and debt

returns at a time when

investors have plunged back

into the share market on the

back of takeover rumours

and battles for control of a

number of companies.

At the same time, evidence

that the economy is slowing

has been construed as good

news for shares as it showed

"interest rates are on their

way down or are going to be

on their way down", says Mr Gad Haker, at Batuchia Sectriates in Tel Aviv.

The two main reasons for

the rally, he says, are the

"buying frenzy" in compa-

nies such as Africa Israel and Tempo, which have been

the subject of struggles for

control, together with a 2 to

3 per cent rise for bond

prices. "The big issue is the

bond market. We saw a real

slide in the market in late

July and early August," Mr Haker says. "The govern-

ment had to step in, and now

you are seeing a really

strong reversal."

To stave off a public flight

from provident funds - popu-

lar 15-year savings instru-

ments - the Bank of Israel

began intervening in the

bond market in July.

Its bond purchases totalled

Shk1.17bn in July and

August, bond yields came

down and this relieved some

of the selling pressure on

provident funds which had

begun to look unattractive

to investors. According to

estimates given by one Bank

Hapoalim official, the under-

lying capital value of Israel's

provident funds totals more

than \$50bn.

The provident funds crisis,

partly blamed on high inter-

est rates, served to dent Mr

Mishman index.

THE WEEK'S CHANGES

index closed at 2,079.46, down 2.87 on the day and off less than a point on the week.

Canal Plus, the media group, was a strong market after a block of 328,000 shares went through. The shares closed up FFr15 at FFr1195. Fernand Ricard, the drinks group, came off steeply on analysts' concerns over underlying earnings. The shares fell FFr15.5 to FFr27.8.

Peugeot and Paribas were both out of favour ahead of next week's interim results. The motor giant shed FFr6 to FFr38 and Comptoir was

strong performance from DSM. The AEX index closed 1.6% higher at 565.70.

In chemicals, DSM added FFr1 to FFr168 after an upbeat two-day presentation to Dutch analysts. US arbitrage business lifted Philips and the electronics giant closed FFr14 better at FFr9.3.

MILAN edged higher with gains by some blue chip industrials outweighing losses in the financial sector and in the heavily traded Olivetti. The Comit index

closed flat in spite of some pessimists expected

elsewhere. Eni picked up L157 to L157 and Tim was L8 higher at L3,053 when first half results proved more encouraging than some forecasts.

ZURICH took the expiry of options and futures in its

strategic plan to finish flat, with the SMI index unchanged at 3,694.9. Corporate reports provided points of interest in an otherwise quiet session. Eni's

revenue fell 1.5% to L15,040.6. Volume was

again high, at more than 80m shares, prompting spec-

ulation that another foreign institutional investor was

unwinding its stake. Brokers

also speculated that one or

more buyers might be build-

ing a stake.

Flat, under pressure in

recent sessions ahead of

Thursday's first half results,

was the result of a 1.5% fall in

share price. The market's

recovery was led by a 1.5%

rise in the banking sector.

SAO PAULO was led by

strong gains in the

banking sector, which

closed up 1.5% at 1,737.9.

Analysts noted that the

market's rally over the

previous five sessions, during

which time it rose 5.5 per

cent, had been largely

sparked by foreign demand.

SAO PAULO was led

higher by further gains in the

benchmark Telebras stock

and by mid-session, the

Bovespa index stood 642 up

at 65,244. Telebras preferred

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Higher oil prices were

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LONDON STOCK EXCHANGE - DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. The data is now delivered by Exetel, part of Financial Times Information.

Details relate to those securities not included in the FT Share Information Services.

The prices are those at which the business was done in the 24 hours up to 5.15pm on Thursday, they are not in order of execution but in ascending order which denotes the day's highest and lowest trades.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

Bargains at special prices. * Bargains done the previous day.

British Funds, etc
Invest 100% Ls 1000 (Regd) 100%
Conversion p/c Ls 2001 - 117% (185695)
Conversion p/c Ls 2001 - 110% (185695)
Excess 100% Ls 1200 880002 - 111% (185695)
Conversion 10% Ls 2002 - 111% (185695)
Conversion 9% Ls 2003 - 112% (185695)
Conversion 9% Ls 2003 - 112% (185695)
Treasury 100% Ls 2003 - 112% (185695)
Treasury 100% Ls 2004 - 112% (185695)
Exchequer 100% Ls 2005 - 117% (185695)
Treasury 2% Index-United Cmtr Ls 1899 -
117% (185695)

Corporation and County Stocks

Coverley (City Cr) 8% Ls 2028 - 85.1

London County Council 100% Ls 2006 - 100% (185695)

Safford (Cr) 8% Ls 21/03/2031 - 94.43

117% (185695)

Foreign Stocks, Bonds etc (Coupons payable in London)

BMA PLC 5% Cmtr Bonds 2006 Fully Paid

(Regd) - 101% (185695) 2 (185695)

Chadron & Gloucester Co 10% Perp

Subord Bds 530000 (Regd) - 123

117% (185695)

De Beers Centenary Finance PLC 9% Ls 2003

(Regd) - 96% (185695) 2 (185695)

Hedge Fund 100% Ls 2003 - 100% (185695)

Highland Distillers Co PLC 5.75% Cmtr Subsd

Bds 2000 (Regd) - 100% (185695)

Nevis Scots (Provincial Cr) 16% Ls 2000 - 92.44

117% (185695)

Detraillers 100% Ls 2000 - 100% (185695)

Exchequer 100% Ls 2005 - 117% (185695)

Treasury 100% Ls 2006 - 100% (185695)

Treasury 100% Ls 2007 - 100% (185695)

Treasury 100% Ls 2008 - 100% (185695)

Treasury 100% Ls 2009 - 100% (185695)

Treasury 100% Ls 2010 - 100% (185695)

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Treasury 100% Ls 2016 - 100% (185695)

Treasury 100% Ls 2017 - 100% (185695)

Treasury 100% Ls 2018 - 100% (185695)

Treasury 100% Ls 2019 - 100% (185695)

Treasury 100% Ls 2020 - 100% (185695)

Treasury 100% Ls 2021 - 100% (185695)

Treasury 100% Ls 2022 - 100% (185695)

Treasury 100% Ls 2023 - 100% (185695)

Treasury 100% Ls 2024 - 100% (185695)

Treasury 100% Ls 2025 - 100% (185695)

Treasury 100% Ls 2026 - 100% (185695)

Treasury 100% Ls 2027 - 100% (185695)

Treasury 100% Ls 2028 - 100% (185695)

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Treasury 100% Ls 2097 - 100% (185695)

Treasury 100% Ls 2098 - 100% (185695)

Treasury 100% Ls 2099 - 100% (185695)

Treasury 100% Ls 2100 - 100% (185695)

Treasury 100% Ls 2101 - 100% (185695)

Treasury 100% Ls 2102 - 100% (185695)

Treasury 100% Ls 2103 - 100% (185695)

Seoul wants UN to condemn North Korean 'infiltrators'

By John Burton in Seoul

South Korea yesterday said it would ask the United Nations Security Council to condemn the landing of "infiltrators" from a North Korean submarine as US military officials in Seoul suggested the affair was the result of a military exercise that went "horribly wrong".

The US officials believe the submarine that went aground on the east coast of South Korea early on Wednesday was crewed by inexperienced submariners and full of recent graduates from North Korea's commando school on a "coastal terrain familiarisation" exercise.

Around the time of their graduation - which occurs every spring and autumn - the special warfare troops must infiltrate the heavily-patrolled demilitarised zone that sepa-

rates the two countries or briefly land on the South Korean coast to prove their skills.

"In this case, it appears that the commando exercise was combined with proficiency training for a submarine crew that turned out to be highly inexperienced," said one US official.

South Korean troops yesterday continued to search for the few survivors of the estimated 26 North Koreans who fled ashore after the submarine was beached. One North Korean has been captured and 18 others have been killed by pursuing South Korean troops or committed suicide.

There is little evidence that the North Koreans were engaged in a sabotage mission,

food aid to its starving population and banning big South Korean investments in the North.

South Korea said it was bringing the incident before the UN Security Council, of which it is currently a member, because the incursion "clearly threatened peace and stability on the Korean peninsula".

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"We don't know what the motivation was for these people to come ashore. I think it's too early to jump to conclusions," said Mr Nicholas Burns, US State Department spokesman.

Swedish budget criticised over lack of job measures

By Greg McIner in Stockholm

Employers, trade unions and opposition parties yesterday attacked Sweden's Social Democratic government for failing to address the country's serious unemployment problem in its annual budget.

Mr Erik Asbrink, finance minister, stressed that the government had succeeded in stabilising public finances faster than expected, in spite of slack economic growth. He said Sweden would next year be on target to participate in a European single currency.

However, he said annual gross domestic product growth would need to exceed 3 per cent - outperforming baseline finance ministry forecasts - to meet repeated pledges by ministers to cut the unemployment rate to 4 per cent by 2000.

Presenting the 1997 budget, Mr Asbrink conceded that unemployment of 7.7 per cent this year was higher than forecast. But he insisted the 4 per cent goal would now be the government's top political priority, and was within reach.

In a rare display of consensus, Swedish industry joined

trade unions and opposition leaders in denouncing the lack of measures to tackle near-recurrent unemployment.

Mr Per Olsson, managing director of the Federation of Swedish Industries, said measures to stimulate growth and job creation were "conspicuous by their absence". The budget contained no attempt to encourage companies to employ more workers, he said.

Mr Asbrink warned any chance of achieving the 4 per cent unemployment rate would be threatened by excessive pay increases. Wages are expected to grow by 5.5 per cent this year and 4.5 per cent in 1997, well ahead of inflation - currently 0.8 per cent, the lowest in the European Union.

The budget confirmed SKr5bn (\$1.2bn) in structural savings announced earlier this year. It contained no new cuts on top of the government's four-year rolling programme to reduce spending by SKr125bn, or 8 per cent of GDP.

Financial markets reacted positively to Mr Asbrink's declaration that no further cuts were needed to bring Sweden inside the criteria for Euro-

pean monetary union next year, although Sweden has already signalled it is unlikely to be among the first countries to join the single currency.

Long-term interest rates dropped, with yields on the 10-year government bond easing 8 basis points to 7.61 per cent. The krona firmed initially against the D-mark and leading European currencies, but later slipped back to close slightly weaker on the day.

Mr Asbrink said the public finances had improved faster than expected due chiefly to higher tax revenues. The public sector deficit would be 4 per cent of GDP this year, falling to 2.6 per cent next year, well inside the 3 per cent target for Euro participation. He reaffirmed the government's intention to seek a permanent budget surplus from 1999.

Consolidated gross debt had stabilised already last year, the government said. It would fall to 84 per cent of GDP this year and to 76.5 per cent by 2000. Forecasts for economic growth were upgraded to 1.6 per cent this year, 2.8 per cent in 1997 and a peak of 2.6 per cent the year after.

Financial markets reacted positively to Mr Asbrink's declaration that no further cuts were needed to bring Sweden inside the criteria for Euro-

Barings bid to uncover mystery

Continued from Page 1

"customer" had been invented by Mr Leeson.

The weakness identified by Mr Kelly was that Barings failed to collect cash deposits from this "customer" to cover outstanding losses on futures and options. It was funding Mr Leeson's hidden trading itself.

The transcript of the conversation has been obtained by the Financial Times, and will be published next week in a book. It shows that Mr Kelly was concerned that other banks in Asia were about to stop dealing with Barings.

Mr Baker is contesting a ban proposed by the Securities and Futures Authority, the City of London regulator, for his role in Barings collapse. He has protested that he has been unfairly blamed, and his case is to be heard by an SFA tribunal shortly.

Mr Baker says he was not placed fully in charge of Mr Leeson until the start of 1995, six weeks before the collapse on February 22. He argues that this was too short a time for him to solve a longstanding deception.

THE LEX COLUMN

Funeral rites

Takeover bids are rarely a matter of life or death, but Service Corporation International's audacious offer for its largest competitor, Loewen Group, comes close. A funeral company is like a utility, generating steady growth and a lot of cash. But funeral parlours offer substantial economies of scale. Therefore, in contrast with its sombre image, the funeral industry has become a dog-eat-dog world, where north American funeral companies vie for acquisitions - and get rewarded with heady stock market ratings. However, Loewen, which is the second largest, had to make a legal settlement last year which knocked its shares and therefore its ability to fund earnings-enhancing deals. So SCI has moved in for the kill.

Loewen may find this a hard offer to refuse. Following the \$175m legal settlement, it is strapped for cash. It announced another acquisition yesterday, but the structure - Loewen is a joint buyer and makes deferred payments - demonstrates its difficulties. Besides, there is stiff competition for deals, and growth would become pedestrian without acquisitions. By comparison, SCI has already suggested it may raise its initial offer, which sparked a 30 per cent rise in Loewen's shares last week.

Loewen's chairman owns 15 per cent of the group and may try to fend off SCI. But if SCI fails, it can refocus its attention on its fast-growing European empire. Whereas if Loewen escapes this grim reaper, its shareholders will still be left with a long period of bereavement.

Fund management

The kerfuffle over Mr Tony Dye's doubts about rising equity markets is rather beside the point. Of course PDMF's chief investment officer may have made the wrong call; time will tell. But in the meantime, to criticise him for departing from the consensus is perverse. On the contrary, since clients presumably pay Mr Dye to try to try to beat the pack, independent thinking is precisely his job.

Now, even if markets continue to rise, is there any reason why nervous clients should abandon PDMF. After all, the fuss has everything to do with asset allocation and nothing to do with stock selection. And PDMF has in practice tended to be better at the latter than the former. So the rational response for a risk-averse pension fund would be to leave stock selection with PDMF

FT-SE Eurotrack 200:

1764.97 (+0.7)

Financial Services

Share price relative to their respective indices

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Weekend FT

Pornography and art: we are the censors now

Christian Tyler finds a moral in the sado-masochistic work of the late New York photographer Robert Mapplethorpe

A photographic collection which ticks like a Geiger counter of public tolerance opened in London on Thursday. The works of Robert Mapplethorpe have been shown in a dozen countries since 1982 with only a scattering of complaints. Before that, in the US, there was uproar. A gallery director in Cincinnati was taken to court (and acquitted) and another in Washington caved in to threats that his museum would lose a public subsidy.

The latest exhibition, at the Hayward gallery in London, has partly succumbed to police advice by removing three items from the catalogue on the grounds that it had no control over their wider dissemination – on the internet, for example – and one photograph was omitted from the exhibition itself.

The picture which caused all the trouble had nothing in common with the grotesque scenes of bondage and humiliation which dominate the largest exhibition of Mapplethorpe's work yet shown. The photograph was of a little girl of about three years old wearing a dress but no knickers.

Although the gallery defended its decision to remove "Rosie" by pleading lack of space and by declaring – without irony – that she was not a typical work, its final reason was clear, the social climate. In Britain, where an intellectual liberal elite had taken pride in a post-Mapplethorpe mentality of accepting all hung before it, no matter how vacuous the violence or exploitative the image, there are limits.

As represented by juries, the British public shows a remarkable tolerance of adult pornography. But it will not put up with people who mock about with chil-

Paintings of Lolitas by the artist
Balthus are scrutinised for the taint of child pornography

Somerville, found when she was arrested and quizzed by police last year over snapshots of her child in the bath.

Among those vulnerable to this sensitivity are artists of far greater talent than Mapplethorpe, whose photographs, even by the standards of pornography, are hard core.

The modern realist Balthus, whose paintings of Lolitas who have crossed the borders of innocence, are under scrutiny for the taint of child pornography. Mount Royal Rothschild was recently obliged to withdraw 30,000 bottles of its 1983 vintage

from the US market because the label carried a Balthus drawing of a naked girl with a knowing look.

So long as there were taboos to be broken, western liberal intellectuals and

exhibitionists could display their wares and be "daring". But Mapplethorpe's contribution may turn out, however, to be more important than the pundits realise. He comes from that far-off place and time, the gay sub-

culture of New York in the 1970s. Mapplethorpe's contribution may turn out, however, to be more important than the pundits realise. He comes from that far-off place and time, the gay sub-



fact that sexuality takes many forms but weary of the endless insult to human dignity, turned its back on the extreme violence of late 20th century art.

If the sexuality of children is to be altogether off limits, should we not worry about the gratuitous violence of Quentin Tarantino's films, the mindless brutality of pornographic videos and the ugliness of Mapplethorpe's fine photography? If, after all, there is a line to be drawn – in life as well as art – who is to draw it?

The portrait of the artist emerging from the Mapplethorpe selection is not of a clever studio photographer who took sex pictures on the side, but of an obsessive sadomasochist who happened to have an eye for composition, a knack with lights and cameras (which did not extend to the dark-room – his prints were done by an assistant) and who also had a fondness for flowers and famous people.

An early sign of Mapplethorpe's rejection came from the critic Robert Hughes of Time magazine, enemy of

Words such as 'taste' mean nothing in a world where the artist is sacred

ultra-conservatives and ultra-liberals alike. Hughes recounts in *Culture of Complaint* how he refused Mapplethorpe's invitation to write a catalogue introduction.

"I had to tell him that since the X portfolio was obviously a key to his work and... his main claim to originality, and since I found the images of sexual humiliation and torture in it... too disgusting to write about with enthusiasm, he had better find someone else. Which he did."

If pictures like these were on open display in London's Soho, still a bit sleazier than the New York variant, the joint would be closed down. If these scenes had involved women, however complacent, or – perhaps even worse – animals, not even the gallery's status as a temple of culture would have protected it from the mob. Indeed, the last time the Hayward took precautions before an exhibition was with an "installation" which required a live parrot to sit on a perch. (The parrot stayed.)

David Elliott, director of the Museum of Modern Art in Oxford, half-jokingly described the Hayward's precautions as "asking a copper what to hang on your walls". Having put on his own Mapplethorpe show in 1983 he regards the event as somewhat old hat; the pictures

themselves he described as "a mixture of beautiful, trivial and comic".

His museum would like to stage a Balthus exhibition. "We would never be afraid of the consequences," he said.

"If you are going to have a battle, have it about something interesting, so something valuable can come out of it."

The distinction between art and pornography has never been clear: Courbet, Picasso, even Degas, Turner and Titian produced erotic works which would have offended public morals in their day. But time and context remove the sting. We laugh at the innocence of prizewinners on Attic vases or the fertility symbols of primitive cultures.

Today the distinction has all but vanished. Words such as "taste" mean nothing in a world where the artist is self-referentially defined as anything which challenges our notions of what art is.

"This work is honest work by an artist of integrity, a complex artist," said Martin Caiger-Smith, organiser of the Hayward exhibition. "It is problematic, but this is part of the potency of the work." Could Mapplethorpe's work be called perverted? "By the standards of many people it might be. But some people think homosexuality is a perversion."

And that is the point. Social prohibitions – including legal controls – depend on current diagnoses. At one time homosexuality was thought to be the result of older men corrupting youths, at other times a disease or a mental illness. In the same way, images of women which were once banned on grounds of decency (or "prudery" to use the modern term) are now banned because they show men exploiting women.

The fluctuating nature of the controversy is recognised in British law: there is a two-year time limit on prosecutions for obscenity, the only indictable crime with such provision.

Galleries and similar bodies enjoy special protection under the Obscene Publications Act, 1959; even if a published work is found obscene it can be defended on the ground that it advances the cause of science, literature, art or learning.

Prosecutions of art galleries are rare and the police do not usually investigate unless they get a complaint from the public. But, in 1990, the Court of Appeal upheld fines on an artist and the owner of a gallery near Waterloo Station in London for the common law offence

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There is no International arts guide this week. It will return next week.

With today's Weekend FT: Residential Property – a 12-page supplement

Joe Rogaly

Sultans of dollars and sense

What can we do about the growth in the numbers of the super-rich? Anything?

Before Maradona died we knew what to do about the super-rich. We could express envy, without shame. We could hit the fortunate few with high taxes. Better still, we could chop off their heads and steal their money. None of that would be acceptable now.

Yet there are enough billionaires, measured in dollars, to form a tribe, the Billi. This is more accurate than Wa-Benzi, the east African name given to top persons riding in new Mercedes.

The money-mountains upon which the Billi sit seem to grow of their own accord. Interest on some of their holdings is accumulating faster than you can read this article. The ghost of Croesus must be wondering why the last king of Lydia had the rotten luck to be born 2,500 years too soon.

We can only gawp. There is no currently respectable theory on which to base any other response. Some economists argue that the opportunity to accumulate wealth is a necessary function of capitalism. If entrepreneurs

do not perceive a chance of raking in a jackpot, they will not risk going bankrupt.

Others say that the emergence of the Billi is a mere by-product of unregulated private enterprise let loose in free global markets, praise be to Mammon.

Either way, there is no elucidation to be had from economics. We must ask the Sultan of Brunei, or the Sultan of Microsoft, to fund a chair of Billi studies, situated in the sociology department of an Ivy League college. There could be an associate chair to concentrate on millionaires, the Billi. Although the more numerous clan, it is only one-thousandth as fascinating as the more exclusive privately owned jumbo jets?

The answer is likely to be that most members of the tribe are diligent, ambitious and lucky. Dull workaholics,

nearly all. Britain's David Sainsbury is an earnest Billi. I owe him a cup of coffee, in return for one he bought me at a party convention. He seems to be motivated by two ambitions.

Our well-funded professors could start with a database. They should be wary of the Human Development Report published by the United Nations in July. In case you were on holiday, the UN told us that the total wealth of the 355 billionaires it knew of equalled the combined income of the poorest

45 per cent of the planet's population. Comparing wealth with income is doubtful methodology even for sociologists.

Next stop would be Forbes magazine, which told us a few issues ago that the planet is host to 447 billionaires. This is a leap forward from the 274 noted in 1991. "Inherited" still accounts for some of them, but many appear to have been wealth creators, and not just for themselves. What I want to hear from our fancied William Gates professor of Billi is, will there be 1,000 in the tribe 10 years from now?

How will they protect themselves, and where are we to find parking for their privately owned jumbo jets?

The answer is likely to be that most members of the tribe are diligent, ambitious and lucky. Dull workaholics,

nearly all. Britain's David Sainsbury is an earnest Billi. I owe him a cup of coffee, in return for one he bought me at a party convention. He seems to be motivated by two ambitions.

The first is to beat the hell out of Tesco, a rival to his

supermarket chain. The second is to do some good.

You see? Billi can be charitable. Some, as in Brunei, spend their money flamboyantly. A few – Silvio Berlusconi, Malcolm Forbes, James Goldsmith, Ros Perot – try to buy their way into politics. They usually fail.

Most members of this tribe are diligent, ambitious and lucky

What beats me is why they make the effort.

Meanwhile their poor relations, the Milli, are becoming as common as muck.

Take this week's report from Britain's Income Data Services (London telephone 0171-250 3494). It tells us that the average highest-paid

director of an FTSE 100 company received £684,671 in total emoluments in 1995-96.

This is a 12.6 per cent

increase on the previous financial year. Translated into dollars, that makes them all Milli.

Business Week gave us comparable US figures in April in 1995, the average total pay of the two highest-paid executives at 362 of the largest American corporations stood at \$3.7m. The annual increase that got them there was twice as high as the rise in profits. Watch that \$3.7m. It is three to four times the going British rate. It gives a touch of verisimilitude to the not very likely story that companies need to pay well to keep their best executives from crossing the Atlantic.

You probably expect me to wag a finger at this point. That is too easy. True, public sector pay is being held down, while in the US average wages have been falling for two decades. But this is not the fault of either of our growing tribes, not the Billi, who live above the clouds, and not the Milli, who to judge by the ones I know, are doing well.

The core of the matter is intellectual. Until the 1980s we organised our polities around a belief in the essential unity of society. Some

would have more than others, to be sure, but there were unspoken limits, points of restraint. We thought that redistributive taxation was just. For two decades we have chosen another path. Nobody has shown us how to get off, or whether we would be happier if we did. Until someone comes along with a fresh idea the Billi and Milli will multiply, and soar above the rest of humanity.

Amsterdam 35

Nice

Barcelona

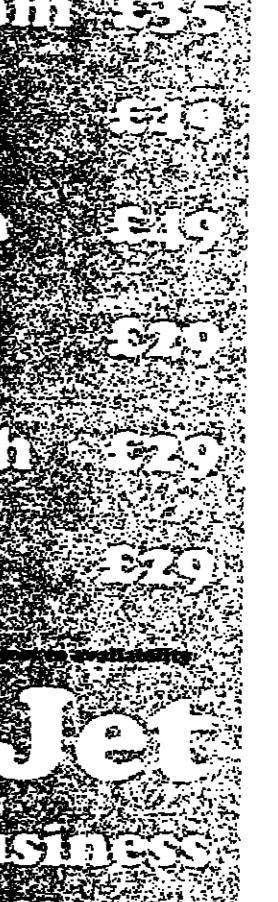
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PERSPECTIVES

The planet's surface tears itself apart. Lava erupts from some of the fissures. From others gush superheated solutions of toxic salts, hotter than molten lead. Around them jostle crowds of bizarre creatures living off chemical energy in the perpetual darkness, at pressures so great that a human being would be crushed flat within an instant.

An alien world? No, life today in the most geologically active region on Earth: the chain of "mid-ocean ridges" that runs across the globe for 50,000km, like an irregular seam on a giant tennis ball.

Every ocean has its ridge, a volcanic mountain range beneath several kilometres of water. This is where molten rock rises from inside the Earth, creating new crust and pushing apart the continental plates.

Most active is the south Pacific ridge, which is spreading by 14cm each year. The mid-Atlan-

The Nature of Things Secrets of the abyssal infernos

Industry could benefit from the creatures of the underwater volcanic ridges, says Clive Cookson

tic ridge is pushing Europe and north America apart by a relatively modest 2cm a year - about the same growth rate as a human fingernail.

Studying such an active volcanic region at such great depths is hazardous. At the least, scientists have to spend weeks on storm-tossed research ships, trying to position their equipment accurately at the end of cables more than 4km long. The more intrepid researchers visit the ridge in person, descending in a titanium sphere with walls 10cm thick to withstand the water pressure.

Their latest geological and bio-

logical discoveries were described during a presentation by the British Mid-Ocean Ridge Initiative (Bridge), an Eilm programme funded by the Natural Environment Research Council, at the British Association conference in Birmingham last week.

For the biologist, the most interesting places on the ridge are the hydrothermal vents - hot springs that expel superheated water from the sea bed. Some, the "black smokers", are so rich in minerals that dark clouds of metal sulphides rise into the ocean like plumes from industrial chimneys.

Dense colonies of animals cluster round the vents, living off bacteria that feed directly on sulphide chemicals at temperatures above 100°C. In the Pacific, vents are dominated by giant tube-worms - bizarre creatures up to three metres long, which have no internal organs of their own and appear to be little more than huge bags of bacteria.

In mid-Atlantic vents, blind shrimps are the dominant species. They have no eyes but a heat-sensitive organ on their back that enables them to home in on the vents.

One mystery is how the animals travel between vents,

which may be tens or hundreds of kilometres apart. They are not adapted to live anywhere else, but no vent is everlasting. Eventually the flow stops. How do they find new vents?

According to the latest Bridge research by David Dixon and colleagues at the Plymouth Marine Laboratory, the blind shrimp larvae have eyes, which can be distinguished from those of conventional shrimp only by genetic tests. DNA fingerprinting of shrimp larvae trawled from the deep oceans shows that vent species travel for hundreds of kilometres in search of new homes.

known, and Chris German, a vent explorer at the Southampton Oceanography Centre, says there could be as many as 300 in the Atlantic alone.

These abyssal infernos could eventually be important for industry, in two ways. First, the creatures living there must have enzymes and metabolic systems that enable them not only to thrive in extreme heat, but also to withstand very high levels of toxic metals such as lead, cadmium, mercury and arsenic. These might be useful, for example, in the search for better ways to clean up polluted stretches of coastline.

Second, mineral deposits surround the vents. Black smokers are often associated with spires of metal sulphide compounds, as tall as cathedrals. These are probably as rich as any conventional deposits of metal ores, but it remains to be seen whether it will be cost-effective ever to mine them.



Glenn Rowley, left, on the summit of Ngam Gang Tang, on the first trekking peak expedition to Bhutan

Minding Your Own Business

Masters of the peaks

David Spark meets an adventure team that takes groups along a different route

When Glenn Rowley read about Pakistan's mountaineers in Galen Rowley's book *The Throne Room of the Mountain Gods*, he decided he must see what Rowley had photographed. It led him and his friend Tim Greening, a former London bicycle dispatch rider, to found Karakoram Experience, now KE Adventure Travel.

In 1995, the company had a turnover of £870,000, taking 500 people on foot, truck or mountain bike to the great peaks of Asia and elsewhere. This year it expects to turn over £1.2m and accommodate more than 700 clients.

In 1984, K2, the world's second highest mountain, was still hard to reach. First, you had to get to Skardu on the Upper Indus, after a bone-shaking bus journey from the Pakistani plains. "The road was open one day a week in one direction, and one day in the other. It was

the most frightening road you could drive on," says Rowley.

From Skardu, it was a three-day walk through a hot, landslide-prone gorge and then up the Baltoro glacier to reach Concordia, from where K2 and the adjacent Karakoram peaks can be seen in all their glory.

The 1980s was a golden age of climbing. In Rawalpindi, Rowley and Greening met Reinhold Messner, conqueror of all the 8,000 metre peaks in the world. They also met an independent guide, Mohammed Iqbal, with whom they formed a partnership.

Back home, they put up £500 each to produce a brochure and advertise in a climbing magazine for people who would pay £2,000 each to go to K2 in 1985. "We did all the cooking ourselves and put all the tents up ourselves," Rowley recalls.

That was the start of Karakoram Experience. Trekking to Everest and Annapurna in Nepal was already well established by 1985 but no one

had previously organised it in Pakistan. Iqbal saw to the local arrangements.

Away to the west in the Chitral valley, Siraj Ul-Mulk heard about the venture and explored new routes with Greening while Rowley travelled through China.

"To start with," says Rowley, "we weren't making a lot of money, only financing our own travels." Then in 1987, while he was in Australia and his mother was in charge of the business, bookings took off. Turnover forged ahead to £240,000 in 1988 and £400,000 in 1989. "We moved up to Keswick and started to do it full time," and they

became the first to take a group up Mount Elbrus in the Caucasus.

Although altitude has a severe effect on people, says Rowley, the thrill of seeing bears, snow leopards or ibex makes people feel it is worth the effort.

These days half the food for a trip is exported from Britain. Local com-

panies run by Iqbal, Siraj Ul-Mulk and others engage about 10 guides and cooks and 50 porters per trek.

Rowley says one of the main reasons for the company's success is its staff. KE has more than 20 trek leaders, some full-time. All are trained in first aid.

Eight years ago, KE advertised

treks to the mountains and failed to get a response. But now they are proving popular - especially the downhill routes. The 500-mile Lhasa to Kathmandu trip ends with a descent from 5,400 metres.

KE also makes arrangements for climbing groups and for schools. Loughborough Grammar School pupils join in raising £15,000 and helped install a clean water supply for the village of Harche, near K2. In January, KE heard from Harche that the first nine tape recordings were working, in spite of very low temperatures.

■ KE Adventure Travel, 32 Lake Road, Keswick, Cumbria CA12 5DQ (017687-72862).

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Pornography and art: we are the censors

Continued from Page 1

of outraging public decency. The offending work, "Human Earrings", consisted of freeze-dried human foetuses attached to a model head.

The law is "an absolute lottery", according to Howard Manning, the police officer who, with an inspection colleague, was called in to review the works at the Hayward Gallery.

Manning works in the obscene publications section of the Clubs and Vice Unit of the Metropolitan Police. He said the law on indecency, designed to protect children, is vulnerable to fashion but relatively tough.

Obscenity verdicts, on the other hand, are erratic and

convictions very difficult to secure. "The same material can be convicted and acquitted in the same court in different weeks. We don't know where we stand." But Sgt Manning is a realist who accepts that if there is no consensus today, there probably never will be one.

A graphic illustration was provided earlier this year when members of the O'Sullivan family and others, said by the police to be Britain's biggest suppliers of hard core pornography, were acquitted by a jury which had spent more than 30 hours looking at videos and magazines containing extreme sexual violence.

Were those jurors repelled? Were they disgusted? It does not matter. The prosecution has to show that the material is likely to deprave and corrupt. And anyone likely to see such stuff is depraved and corrupted

already.

It is difficult to determine whether juries are showing a commonsense response to irresolvable issues, or are being frustrated by badly drafted law.

One of the defence barristers in the O'Sullivan case was Charles Salter, inclined to agree with Manning's "lottery" verdict, he also thinks juries will convict if they are determined to, whatever the law says.

Salter, a liberal with doubts, said: "No one will ever be entirely rational. Everyone has anxiety about their own sexuality. People won't admit to liking pornography, so you get this rainbow image - and rainbows have no lobby."

He claims to have found sympathy in the most unlikely places, such as a jury including four Irish Catholics and a Moslem woman which let pass magazines containing pictures of

women in bondage. "But my favourites are old ladies. They were girls when seen it all. They think this stuff is silly."

Meanwhile the art pundits, terrified of making judgments

You hardly need to know that Mapplethorpe was brought up a Catholic

ments that might be deemed censorship, are striking ever stranger poses in order to demonstrate artistic justification. Here is Germano Celant, catalogue editor of the Mapplethorpe exhibition, on *Gentlemen*:

"Gentlemen seems to declare Christ's rebellion

against the 'law' and, with a reversal and overthrow of symbolic values, it makes everything interchangeable, confusing 'god' and 'demon'... Mapplethorpe salvages the homosexual discourse, which is taken on as a discourse on criticising and breaking the paradoxical assumptions of current ideology."

And the object of this critique? A photograph of a man sitting on a barrel, doubled up, with his bare buttocks spread over a crucifix? You hardly need to know that Mapplethorpe, like the pop star Madonna and Andrew Serrano, author of *Piss Christ*, was brought up a Roman Catholic.

No amount of intellectual turgidness will convince the man and woman on the Clapham (or Cincinnati) omnibus that this is the last word on the matter. Nor can they rely on the law to settle things, for the law has

shown itself at a loss in a society where norms are no longer handed down by political and religious leaders to the grateful masses. From now on, in the era of post-Mapplethorpe morality, the public will have to play jury to itself.

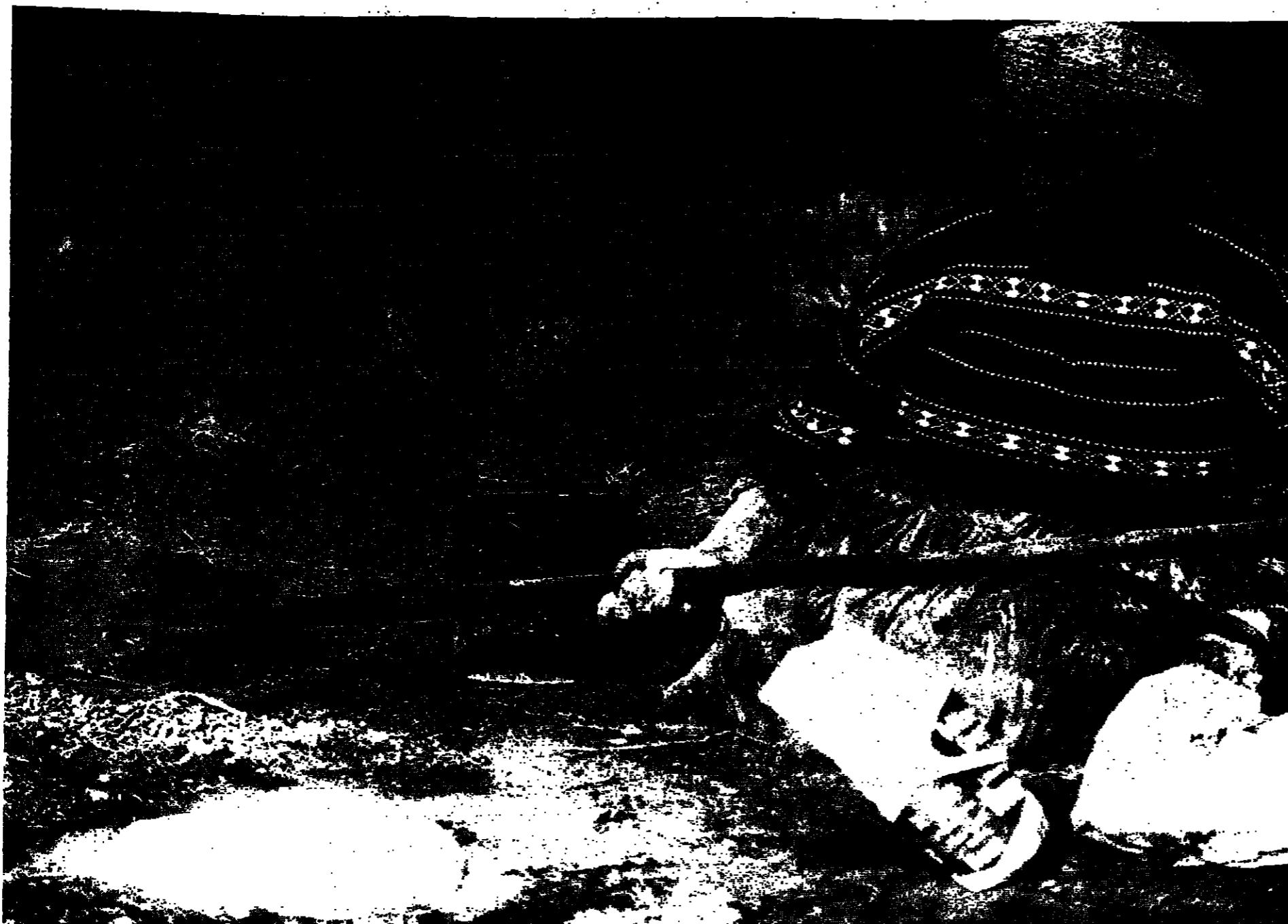
In *The Secret Museum*, a history of pornography, Walter Kendrick refers to a speech by Richard Nixon - a man not often accused of artistic pretensions. "As free men willingly restrain a measure of their freedom to prevent anarchy, so must we draw the line against pornography to protect freedom of expression."

Nixon added that if dirty books had no lasting harmful effect on character, then great books, paintings and plays had no ennobling effect. "Centuries of civilisation and ten minutes of common sense," the former American president said, "tell us otherwise."



Robert Mapplethorpe: Self Portrait, 1980

PERSPECTIVES



The real thing: a woman turns the ground into an oven in South Australia

Dispatches

Alternative TV in the basement

Bernard Simon finds a channel that is free of American sitcoms

I have spent more time than usual these past few weeks in the basement of my suburban Toronto home. Besides tidying up the workbench and getting the gas furnace ready for winter, I have been doing what many Canadians do in their basements — watching television.

If there is such a thing as a good time to watch TV in North America, September is it. The re-runs that fill July and August have made way for a fresh season of sitcoms, mini-series and talk shows that the networks hope will propel them to the top of the audience ratings. The new offerings have just a month or two to prove themselves.

Those that do not find instant favour could be toast by Christmas.

With government funding so uncertain, advertising has become a driving force. Advertising revenues now cover half the English TV network's budget and almost 40 per cent of spending by Société Radio-Canada, the French-language network.

Programming decisions thus hinge as much on advertisers' demands as on the CBC's public service mandate. Sport now takes up a quarter of the English network's prime viewing period — more than drama, variety, arts and science combined.

On several evenings in the past fortnight, the prime-

Canadians
have long
treasured the
CBC — it
reminds them
why they
are not
Americans

time schedule has consisted almost entirely of the ice hockey world cup.

But more encouraging signs are in the air. The government this week set aside money to support Indigenous TV productions. The CBC will be the main beneficiary.

Ice hockey will be less in evidence now that Canada has been beaten by the US in the world cup. In coming weeks, the CBC's prime-time offerings will include *Giant Mine*, a mini-series about a bitter labour dispute at a gold mine in the Northwest Territories; *Edits Incognito*, a one-hour variety show hosted by Elvis Stojko, Canada's champion figure-skater; and *Royal Canadian Air Force*, a long-running send-up of current affairs.

Whether shows such as these have much appeal to viewers and advertisers remains to be seen. It is hard to imagine Canadian teenagers flipping from *ER* (a hospital drama set in Chicago) or *Beverly Hills 90210* to *Peacekeepers*, a forthcoming CBC film billed as "a heart-rending, action-packed story of Canada's peacekeeping forces in the former Yugoslavia".

But perhaps that is not the point. What the CBC offers is an alternative for those of us who want one.

A future for food of the past

Nicholas Woodsworth marvels at how bush tucker has been turned into 'sophisticated native cuisine'

Australia's virile, two-fisted, whack-it-on-the-barbie culinary past may be fast disappearing, the victim of growing sophistication. But it still offers scope to those with a little flair and imagination, I thought as I strolled along the pavement past a butcher's shop in Darwin not long ago.

"BLOODY GOOD MEAT, BLOODY GOOD VALUE", screamed an advertising panel of Darwin Fresh Meats to passing traffic. And as far as I could make out, the back-to-basics approach was working famously well — the establishment in question was full of what evidently were bloody happy shoppers.

The throw-back simplicity — dare I say the primitiveness — of the advert struck me, for the question of Australia's historically rudimentary eating habits had lately been on my mind.

I had recently returned from the deep bush of the Northern Territory where I sampled the most basic fare of all — foods that Aborigines, the first Australians, were eating at least 50,000 years before the continent were first grilled lamb chops.

Now, despite its novelty, I questioned the pastime, increasingly popular among Australians, of going into the outback to collect what

is called bush tucker. Crocodile Dundee may not have had any problems living off the land, but I certainly had. Attempting to extract the kernel of the pandanus palm in the genuine aboriginal way, I smashed my thumb with a rock. I went on collecting the little water-chestnut-like bulb of the spike rush, I became intractably bogged down in a swamp. Trying to bite green ants, I got bitten by green ants. It is too painful to go on — you have the idea.

Was there any real future, I asked myself, in the food of the distant past? The answer, I discovered after a few days of brooding thought, is, most definitely, yes.

It was on another pavement, this time in the north Queensland town of Cairns, that epiphany came. Posted outside the Red Ochre Grill I came upon a menu devoted entirely to a creative native Australian cuisine".

Among the offerings kangaroo stir-fry with black bean chilli sauce; smoked kangaroo ham with bush-tomato salsa; possum wonton; crocodile fillet tempura; freshly shucked oysters with wild lime chilli sauce; two of emu and wallaby medallions with bush-tomato souffle and juniper berry glaze...

I read no further, but hurried inside. Souffles, tempuras, glazed

sauces; I told James Fielke, Red Ochre's manager, that this was a far cry indeed from the tough, sour, root-and-berry-style native cuisine I had tried until now. How in heaven's name, I asked, had the jump been made?

It was not so difficult, he replied. After more than three decades of adopting ingredients and cooking

degree heat because that is what they ate 'back home'.

"Since then we have learned to synthesise — if we could take Mediterranean cooking from the Greek and Italian immigrants of the 1920s, and south-east Asian cooking from the Thai and Vietnamese immigrants of the 1980s, why then can't we take something of the cooking of the people who were here all the time?"

Why not indeed? When Captain James Cook first reached Australia in 1770 he used warriag greens, a spinach-like ground cover, to allay the effects of scurvy suffered by his crew.

After that time, though, new arrivals to Australia assiduously avoided local foods, the earliest of them even risking starvation.

Only in the last decade has it become legally possible for humans to consume kangaroo, a meat Fielke much prizes for its high-protein, low-cholesterol, pesticide-free

nearby Great Barrier Reef, taste better marinated in lemon myrtle — the aromatic, citrus-flavoured leaves of a tree found in the rainforests of Queensland.

There are hundreds of different spices, leaves, fruits, roots, meats, nuts, berries, fish, lizards and other foods used by the Aborigines and found only in Australia, Fielke told me. His brother Andrew is one of a handful of chefs who pioneered the transformation of bush tucker into sophisticated "native Australian cuisine".

Beginning his experiments about a decade ago, he came up with such offerings as witchetty-grub soup, made from a large white maggot found in rotten logs and once an important part of the Aborigines' diet.

Witchetty-grubs are no longer on the menu, but about 50 other indigenous foods are. The important thing these days, Fielke told me as I downed a wallaby medallion as tender and tasteful as any beef fillet, is not quality, but quality. Now surrounded by a plethora of cooking traditions, Australians are now too discerning to be otherwise attracted.

Nor is there any aversion to combining local ingredients with non-antipodean cuisines and techniques — thus terries of leek and yabby (Australian freshwater crayfish), or roulades

of wallaby and rabbit with a glaze of pepper leaf (a hot leafy shrub from Tasmania).

And so to dessert — a sorbet of Australian champagne and Hill pillars, a wonderfully sharp and spicy cloye-flavoured berry from New South Wales. It was superb, with a taste quite unlike anything I have tasted before. Like other native Australian spices and flavours, it owes its peculiarity to a continent where sunshine, drought and harsh conditions have created wild plants that are aromatic and high in essential oils. Pepper leaf and lemon aspen are to the outback what thyme and rosemary are to the Mediterranean.

Will they make a similar jump to the spice racks of the world? That remains to be seen. In the UK, J. Sainsbury is already selling a salad dressing of lemon aspen and oil of macadamia nut — yet another indigenous Australian product.

Down Under, the popularity of native Australian cooking is growing; restaurants such as Red Ochre are popping up in cities across the country. Indigenous cuisine is, in fact, showing the same qualities as that other quintessentially Australian product, the boomerang — once thrown away by Australian diners, it is, after a long absence, returning to their plates.

Letter from Nigeria

Monkey business gets serious

A rare and endangered African species is getting a new lease of life, writes Paul Adams

Next month a helicopter in south-east Nigeria will be flying an unusual mission. Instead of ferrying workers from Calabar to Ashland Oil's oilshores, the Bristows helicopter will be packed with rare monkeys making their first visit to a rainforest.

The 40 drill monkeys — almost half the total number of captive drills in the world — were raised either as orphans or ranch-bred in Calabar. Their new home is to be a wildlife sanctuary in the Afi Mountain reserve in Cross River state, on the edge of the last big rainforest in west Africa.

The trip will be the high point of five years' work by Peter Jenkins and Lise Gadsby, whose award-winning Pandrillus project was established to protect these rare animals and introduce them to the sanctuary.

The Calabar drill ranch, as it is known locally, offers the only captive breeding programme for an endan-

gered primate in Africa — the rest are in foreign zoos, mostly in Germany. Jenkins and Gadsby first got the idea for the project when an orphaned drill was given to them.

It is an impressive monkey, larger than a baboon, and is found only in that corner of west Africa.

These are an endangered species, there are a lot of orphans (caused by hunting of the adults) so an captive breeding programme was needed," says Gadsby. Clement Ebin, director of the Cross River National Park, was a co-founder who had been on a course at Jersey Zoo and was keen to start a programme.

"When we came to Nigeria eight years ago on a 10-day visa, we were just happy-go-lucky overlanders. Peter is a builder and contractor, I studied zoology at the University of Oregon," she says in the house in Calabar which serves as the office for the drill ranch and the home which they share with vol-

unteer workers, keepers, visitors and, occasionally, monkeys.

The project has grown by leaps and bounds since we started with local donations. We had a Land Rover, which we lived in for two years, and some money from the project. When that ran out we got some sponsorship

We keep them in captivity but try to bring ecological principles in'

and were able to lease this place. We built the enclosure with cast-offs, findings from a golf course, old piping from a refinery. We plan what we can do by what we can get."

They are hopeful that a \$50,000 World Bank loan to Nigeria's Federal Environment

Protection Agency will come their way.

There have been eight captive births at the ranch, with one lost. Now 40 per cent of the world's captive drills live at the ranch — 23 live in one big enclosure, the optimum group number in the wild.

"We are not zoo-type people, we are closer to field-type conservationists, but we are really between the two camps — we keep them in captivity but we try to bring ecological principles into keeping the animals," Gadsby says.

Few people associate modern Nigeria with wildlife but it is the third most important country for primates in Africa, with the third highest primate diversity (after Cameroon and Zaire) 25 species including two endangered apes (gorilla and chimpanzee) and a number of rare monkeys.

The World Conservation Union rates drills as the highest conservation priority among African primates.

According to local hunters — the best source of information — the drills are becoming more scarce. They are hunted for "bushmeat" using dogs to trap them before they are shot, and there is a lucrative trade in smuggling.

Their habitat is also shrinking. The World Bank estimates that 95 per cent of Nigeria's rainforest has been destroyed.

Most of the remainder is in Cross River state but population growth is creating pressure for new farmland, while a new timber mill, if approved by the government, could trigger more logging.

Last year Pandrillus won the Whitley Award, an international prize for new efforts in conservation, for its community forestry scheme at Afi. The community has applied to the state government to designate the scheme the first wildlife sanctuary in Cross River state.

"We need to know where the drills are, the overall number, which groups are most threatened, and which are worth trying to conserve," she says. "This is the burning question for a conservation initiative — what is feasible to conserve? We have to look at conservation over 50 or 100 years."

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ing 10 men, mostly former hunters, for anti-poaching patrols and to educate others in the community about the wildlife. Gadsby says: "We never expected that the captive breeding programme would have so much educational value. Unfortunately, we'll lose some of that aspect when we move to the forest, but we'll leave the quarantine group here."

TRAVEL

The two faces of modern India

Over the following pages, FT writers visit India. Adam Hopkins opens this special travel report with an attempt to discover the true Delhi, hidden in the old and new cities

I saw a murderer arrested in Delhi earlier this year - or at least he was alleged to be. The place was in the tangled lanes off Chandni Chowk, jam-packed market thoroughfare, once the demesne of Mughal nobles with enormous palaces.

The alleged murderer was young and thin, physically like the policeman who had him by the collar. But he was desperate and the policeman was smirking. Meanwhile, the mother of the murder victim shouted and raged at the man she had killed her daughter.

A crowd had gathered and stood muttering but impulsive. A cow leaned down towards discarded cabbage leaves beside a puddle. And then our rickshaw was around the corner, leaving the tableau frozen in our minds - mine and my friend Vatsala's. She was taking me on a trip round the Old City.

"I think the dead girl was a prostitute," Vatsala said. "And the man was a client. Maybe the mother wasn't quite the mother."

And then she added: "Murders in Old Delhi don't even get into the papers. In New Delhi, a murder would run across five columns." You can tell Vatsala is a journalist.

As it happened we took our lunch in New Delhi, at the home of her friends and my acquaintances, Ajay and Shivani, both from the financial world. There were several young couples as well with children - and nannies.

"You have no understanding how things are coming on in Delhi now," said Ajay. "I had the good fortune to learn Japanese when I was working in Tokyo and, naturally, I like to keep it up. We went to a party here last week where there were four Japanese speakers, no less.

"And foreign companies send some of their best people now to be stationed in Delhi. This is your economic liberalisation, this is a sign of the times."

"But not all is so positive," said Shivani. "Much of what happens is so hit and miss. We wanted infrastructure and roads and what did we get? Revlon. Truly. Revlon."

Perhaps, after the recent elections, the terms of the conversations in New Delhi will be a little different - but not much. Nor will much have changed in the

This constant shifting of perspective is one of the pleasures of visiting Delhi - it keeps you alert

lanes of Chandni Chowk.

For this is a city with at least two parts, that of the common people and that of the real and incipient nobles. There does not seem to be much in the middle. When you go on a visit, a kind of crazy see-saw develops in the mind.

First it tilts towards Old Delhi, with the Red Fort and the mighty Jami Masjid mosque, and so many memorials of the Mughals (contemporaries, more or less, of Oliver Cromwell) wrapped up with what is now the low-life part of town. This is the real thing, you cannot help but think.

Then, hey-ho, and over the way you go to New Delhi, and here is all the memory of the British Raj, with modern India superimposed in its full standing as an Asian superpower. Here are the

vast Anglo-Indian creations of Lutyens and Baker, palace and secretariat, dome and column, and such spacious white bungalows as still remain - and folks such as Ajay and Shivani.

You have to admit you are more like them than you are like the market-men and women in Chandni Chowk or come to that, the Mughal emperors. So, the see-saw tilts in favour of New Delhi as offering the path to comprehension.

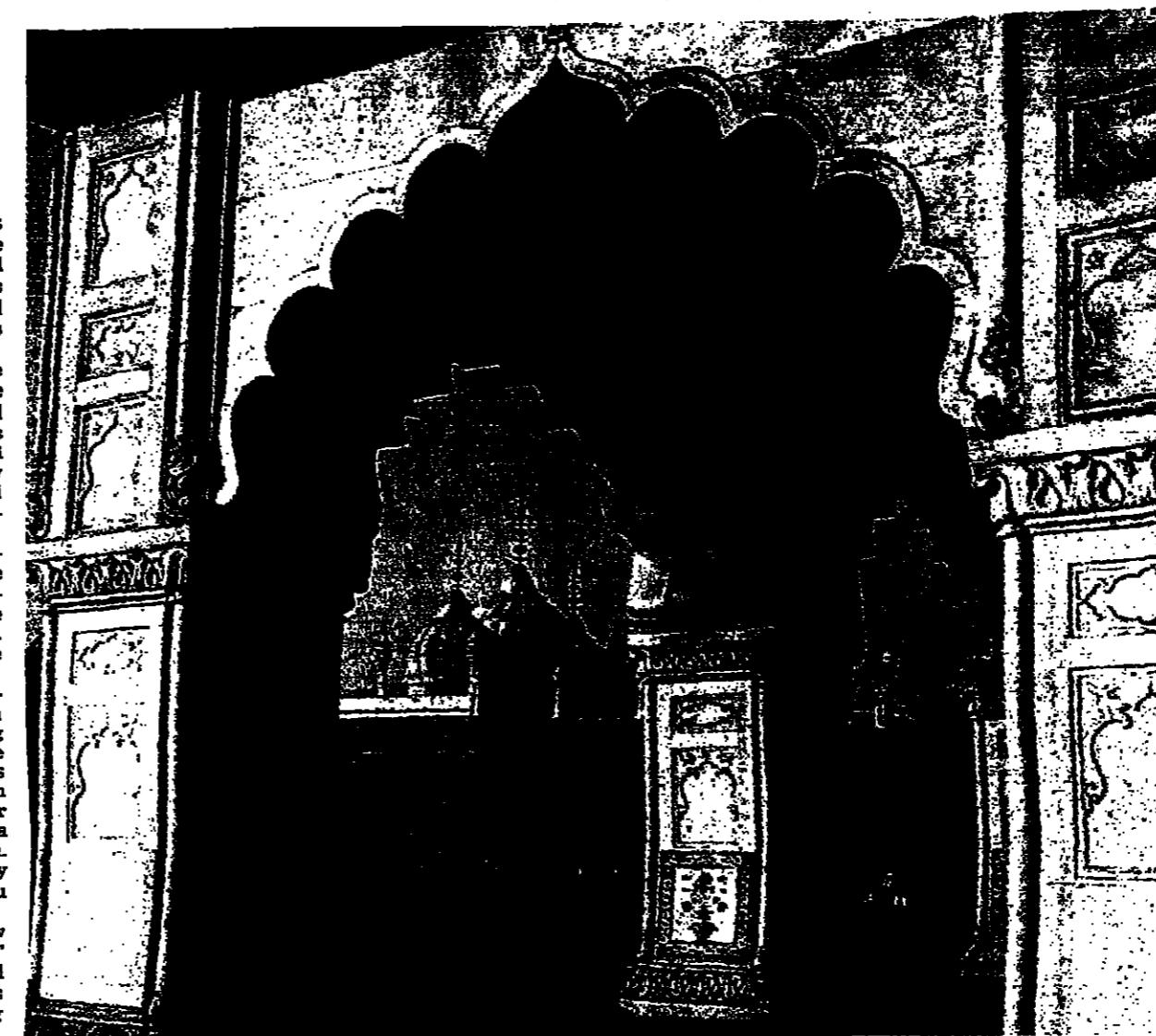
In my experience, this constant shifting of perspective is one of the pleasures of visiting Delhi, at least in the sense that it keeps you alert. The same may be said of the historical confusion.

For Delhi began somewhere else entirely, among a host of early versions lying several kilometres to the south. A visit to them means either a place on a coach tour, or hiring a car, a driver and a guide for at least a morning or an afternoon. This is still surprisingly cheap, especially if you share.

"Whoever builds a new city in Delhi will lose it," runs the proverb, and by and large the thought holds good, up to and including the British departure.

Some of these early attempts to build a lasting power centre are little more than dramatic piles of stone, others elaborate even in ruin. My own favourite among the early monuments is the Qutb Minar, a gaudily fluted minaret (started in 1199) with an adjoining Moslem precinct made up of the remnants of 27 Hindu temples, in themselves a lesson in the evolution - and beauty - of early Hindu sculpture.

"But the minaret became a favoured suicide spot," said my (official) guide. "Then, in 1982, the lights went out during a visit and over 100 children died in the stampede. As for the Mughals, their most beautiful monument is the tomb of Humayun - the emperor who fell down his own library steps while drunk and was gathered sooner than expected to the



In the Red Fort of Old Delhi: magnificent memories wrapped up in the low-life part of the city

reminder that this was a considerably Islamic city right up until partition in 1947.

It is true that invention sometimes fails the otherwise admirable Singh. At Humayun's tomb, for instance, he makes his narrator fall down the stairs as a poor excuse for telling the story of Humayun. But by and large the varying persons of the narrator, a true insider, genuine Delhiwalah, offers huge enlightenment.

When it comes to the assassination of Mahatma Gandhi, he is actually one of the group of plotters, the story showing how even Gandhi was a complex blessing for the emerging nation.

And the book ends in the most sombre of tones with the assassination of prime minister Indira Gandhi, in 1984, and the murderous persecution of the Sikhs which followed, up-ending every gain in cohesion the community had made in the previous 40 years or so.

All of which makes the essential point - that Delhi is a city which demands attention, its lively present shaped out of a past of energy and turbulence, horror and delight.

Most visitors give it only a day as they sweep off to Agra and the Taj Mahal and the glories of Rajasthan. But, in my view, as will by now be clear, Delhi will well repay that little bit of extra respect - and time.

■ Adam Hopkins travelled independently. His car, driver and guide were organised by Cox and King in the UK, tel: 0171-573 5000. Cox and King offers a wide variety of Indian travels, including nine-day Indian Experience tours of the Golden Triangle, visiting Delhi (alias, only one day), Agra and Jaipur from £513.

■ Singh's *Delhi. A Novel* (Penguin) is out of print in the UK but there were plenty of copies in the Imperial Hotel in Janpath, New Delhi. This building has the most agreeable bookshop in town. William Dalrymple's *enjoyable City of Djinns: A Year in Delhi* (Flamingo, £7.99) is packed with information.

So, sorry to tell, it is closed to the public now."

"Wow," I thought, "there's the real India for you." Somehow, even when you feel safest, it keeps coming at you. In Delhi, as elsewhere in the sub-continent, it makes even the most mundane tourist trip potentially full of surprises, often nice but often nasty too. That's all a part of it.

As for the Mughals, their most beautiful monument is the tomb of Humayun - the emperor who fell down his own library steps while drunk and was gathered sooner than expected to the

bosom of Allah. A great red sandstone building laced with white marble patterning and a dome like a bulging turban, it is wild and harmonious all at once. Persian crossed with Indian in that instantly recognisable Mughal mode.

Open draw a wide mower over the grass in the surrounding garden (divided into four by water-channels mimicking the Rivers of Paradise) and a notice warns against wild bees (they are said to have gone now). In the inner chamber, a woman in a pink sari with a shawl over her head will demonstrate the echo, laying back her covered crown and hooting away like any old owl anywhere.

On previous visits I have taken it all pretty much as it comes, checking out the guidebooks and listening to the guides, but not doing much swotting. On this occasion I found a marvellous, if bawdy, new companion - the knockabout *Delhi. A Novel* by the Sikh writer Khushwant Singh.

Singh's principal character, the narrator, is a contemporary writer, surprise, surprise, deeply and graphically attached to a "nijda", a hermaphroditic prostitute, who presumably symbolises the city. But like something from a Welsh fairy tale the narrator continually changes shape, becoming a participant in each phase of Delhi's evolution.

It's a painless and pleasurable way of absorbing the history, with all the Moslem chieftains pouring over the Hindu Kush to dominate this critical strategic point in India's north-west plains, creating courts and kingdoms which not only held the local Hindus down but in the meantime echoed with poetry - an instructive

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TRAVEL

The rhinos of Kaziranga

Powerful forces gather after dark

Nick Haslam goes on patrol with a unit fighting against poachers

Dawn comes early in Assam. At 4.30am there was a knock at the door. "Bed tea sir," said a voice beyond the mosquito net. "The elephants leave in one hour."

Outside, cockerels were crowing and the air was cool and fragrant. I joined a small group of Indian tourists and we set off by car through flat paddy fields to the gateway of Kaziranga National Park. There, we were to spend the hours of sunrise looking for the *Rhinoceros unicornis*, the greater one-horned rhino.

The elephants were waiting for us, and we climbed on to the cushioned howdah from a raised platform 12ft above the ground. The mahout, perched on the elephant's shoulders, prodded the animal with a metal goad, and then, with an easy, slow motion, it set off.

To the west, we could see the first rays of the sun touching the peaks of the Himalayas in Arunachal Pradesh, and before us, mist rose from marshy grassland, the perfect terrain for rhino. Within minutes, we made our first sighting: in a water-hole 200 metres away, a rhino lolled half-immersed in water. It slowly raised its head, glanced in our direction and then looked away.

The mahout, nudging the elephant behind one ear, swung it round and we

ambled over. From our high vantage point, we looked down, and the rhino stared impassively back, its small, black eyes betraying a prehistoric indifference to this early morning intrusion. On its armoured back, a white cattle egret patrolled, foraging for insects.

Suddenly, with surprising ease, the rhino rose and then trotted lightly away through the elephant grass, the fluid motion belying the fact that it weighed more than half a ton. We followed, and almost immediately came upon another rhino browsing in the thickets of coarse grass. A solitary animal, the rhino usually does not charge an elephant, but our own mount instinctively kept a respectable distance from it and the horned snout.

Kaziranga is one of the world's great rhino success stories. In 1908, when the reserve was created, indiscriminate hunting and destruction of habitat had reduced the population of rhino in Assam to only 25 individual animals. There are now more than 1,300 one-horned rhinos of the entire global population in the 168 square miles (430 sq km) of park land.

There is an ever present threat to Kaziranga, however. Rhino horn powder, known by the Chinese and Taiwanese as a medicine for reducing fevers, can fetch up to \$40,000 a kilo in the markets of east Asia. It

was like a war."

There are more than 300 guards posted throughout the Kaziranga National Park, but poachers, who travel in small groups, have the advantage of surprise. Armed with carbines and automatic weapons, they enter the park in the twilight hours of dawn or dusk, shoot the first rhino they find, hack off the horn and rip out the nails of the animal before making their getaway. One horn, which weighs about 700 grammes, net each poacher RS10,000 (£120), a small fortune in a country where the average monthly wage is RS100.

The horn is then smuggled out through Calcutta or across the border into Bhutan, steadily increasing in value as it is sold on from trader to trader. In half an

hour, we came to our first camp in a clearing. The guards had just finished eating and were preparing to go out on patrol. They saluted Dey and reported that there had been no movement in the area that night.

Barefoot, in ragged uniforms, carrying flashlights and old bolt-action rifles, they looked ill-equipped to deal with well-armed and determined poachers. Dey said that, despite all the odds, they are a formidable fighting force.

Leaving the truck at the camp, we walked with the guards through the forest, stopping occasionally to listen for any signs of activity. Fireflies danced in the dark, and from the nearby river the sound of frogs filled the night.

Last year, 14 poachers were killed in the park, but 21 rhinos had been poached.

guards stiffened and motioned us to be still. He indicated to his left and flashed his light. There, about 15 metres away, we saw the unmistakable round rump of a large rhino browsing in the undergrowth. Quietly, we turned back and walked away.

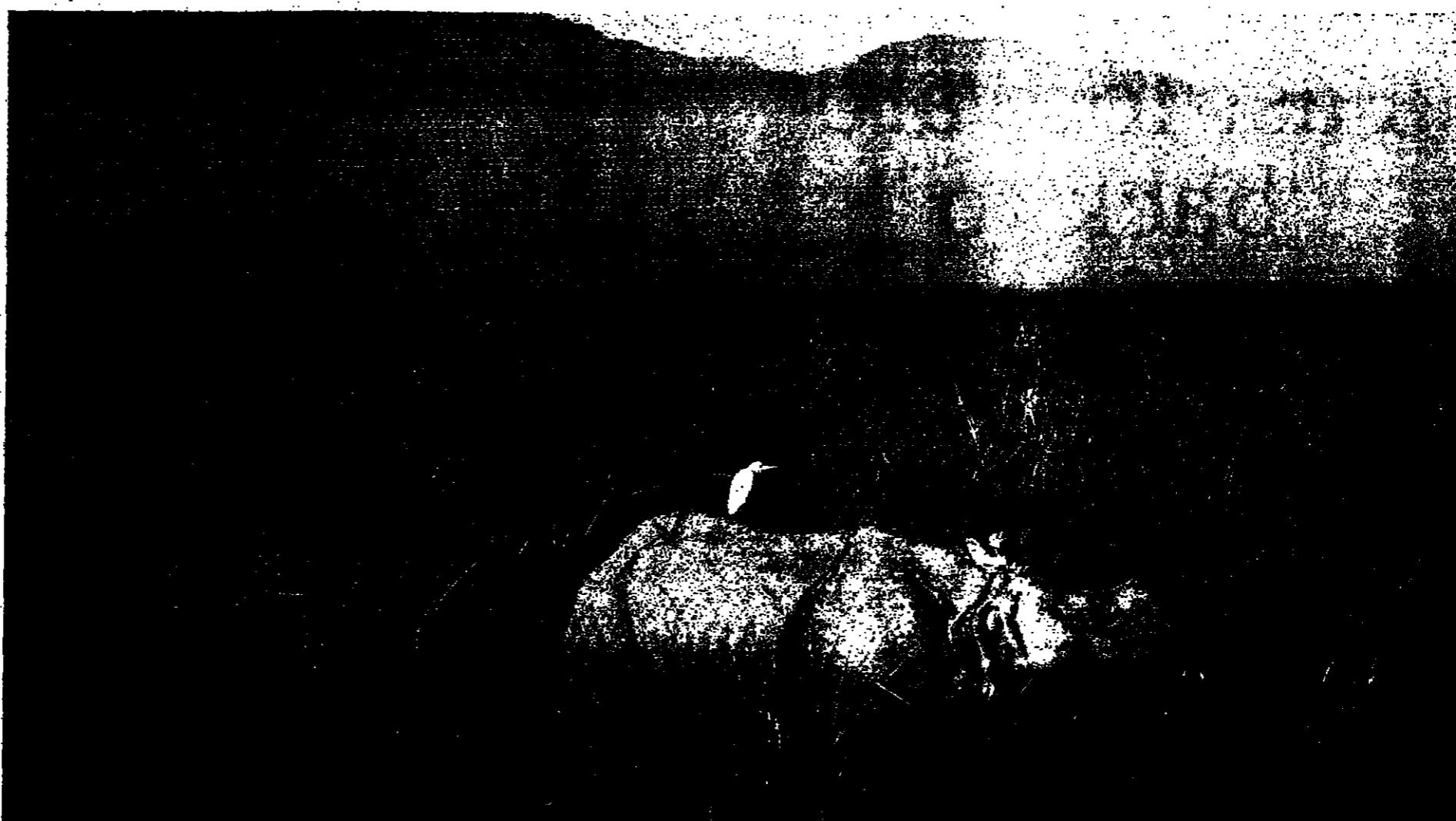
The Forest Department maintains contacts with local villagers who sometimes tip off the guards that a poaching raid is imminent. But, too often, the first indication that poachers were in the park was the sound of a gunshot. "By then it is too late to save the rhino," Dey said. "But if we are lucky, we can catch the poachers before they get out of the park. If they resist, we shoot back."

As he saluted and disappeared into the night, Dey said: "Everything depends on those chaps. Despite the terrible conditions, they are

it must be, I reflected as we walked back to the camp, a stressful job. Dey agreed. "The guards may see their families only once a year," he shrugged, "then the poachers will come back with a vengeance. And if that happens, the entire population will be at risk."

■ **Nick Haslam travelled to Assam as a guest of the Government of India. Tourist Office, 7 Cork Street, London W1X 1PB; tel: 0171-437 3577/9. Return flights to Delhi with Air India from Heathrow start at \$456. A round trip from Delhi to Guwahati in Assam with Indian Airlines costs \$150. Kaziranga is about six hours by road from Guwahati. Places to stay near Kaziranga: Aranya Lodge; tel: (03776) 5429; Wild Grass Tourist Resort; tel: (03776) 5437. The park opens on November 1 and closes on May 1.**

Nick Haslam



Keeping a respectable distance: the one-horned rhino of Kaziranga in Assam.

Nepal

Forget the bicycles

Across the Indian border, Stewart Dalby gets a surprise in the woods

If you go down to the Nepalese woods at night, on foot, you could get a big surprise. The one-horned Indian rhinoceros has good hearing and a strong sense of smell, but poor eyesight. It can charge at anything that moves with which it is unfamiliar.

The Lonely Planet guide to Nepal says rhinos are particularly enraged by bicycles, and cycles are, in fact, banned from the national parks in the border area.

Generally, I sympathise with the sentiment. When in my own natural habitat – the London traffic jam – I am often tempted to charge at people on bicycles. But to have 2½ tons of rhino with sharp teeth coming at me, at speeds up to 40mph, is not what I had in mind for my first trip to the Himalayan kingdom of Nepal.

Although people on foot have been known to be attacked by rhinos, it is rare. Kheni Raj, general manager of the wildlife camp where we stayed, said: "Some caution is necessary, when on foot, but it is most unlikely you will be attacked."

It is, anyway, safer and a lot more fun to view game from an elephant.

It is safer and a lot more fun to view game from an elephant

suli river; and finally a bucking ride on an open truck across the bleached boulders of the dried-out Rapti river (in the monsoon, May to October, you have to cross by elephant).

There are eight elephants at Macchan. On our dawn safari we came within a few yards of a group of rhinos. They are used to the small of elephants, which drown out the human sound. We saw numerous barking deer, lots of brown rhesus macaque monkeys, a crested serpent eagle and a leopard.

Holly Winton, a 19-year-old from Swindon in England who is working in the camp for a year before going to the University of Cardiff to study zoology, said we were lucky to see a leopard. Like tigers, they are solitary creatures which usually hunt at night. She said that wild elephants, which were thought to have died out in the Chitwan, now number about 100. There are about 90 tigers and around 450 rhinos.

The next morning we went bird watching with Lathen Singh, a naturalist at the camp. There are 400 species of birds in the Chitwan. We quickly saw an ashy drongo, spotted dove, a blossom headed parakeet, a black-headed creole and a scarlet marieke.

May in the Terai gets very hot, but there is a swimming pool at the camp to cool off.

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TRAVEL

Assam

Fast forward back to the future

Nick Haslam discovers how a former haven of the expatriates of the Raj has changed

With a blast on its horn, the truck swung around the hairpin and bore down upon us. I had just time to read "Slow Drive, Long Live" emblazoned on its high, timber cab before our driver, intent over the wheel of the Ambassador car, swerved violently into the ditch. The truck hurtled past with a clash of gears, leaving a plume of black exhaust in its wake. "Lorry drivers," he said thoughtfully, easing the car back on to the road, "are ferocious."

It was the first of many narrow escapes on the long climb up from the plains of Assam to the high plateau of Meghalaya and the old British hill station of Shillong.

At first the narrow road was lined with paddy fields, but then the overhanging bamboo thickets gave way to conifers and oaks. At Nongpoh, the halfway point, we stopped for tea and my co-passenger, Mr Rosario, an Anglo-Indian from Kerala, pointed out the Khasi tribesmen and women loading produce on to buses.

They were a handsome, tough-looking people with high cheekbones. "I am married to a Khasi girl," he said. "I came to visit Shillong and I never left."

The Khasis, Meghalaya's dominant tribe, are matrilineal - the family name and property pass from mother to daughter. The women are strong characters, and are renowned for their beauty. As we sipped tea, Rosario motioned to a passing group of Khasi girls. "Notice how

fine their legs are," he said, sighing contentedly. "It is a noted characteristic of hill tribes."

Shillong, the capital of Assam, sprawls over hills at 1,500 metres. The cool, pine woods, rhododendron and distant views range many miles for the homesick British expatriates of the Raj who came up each year to escape the suffocating summer heat of the plains.

They built churches, created parks and set up

Easy chairs stood on the lawn, and men dressed in blazers and cravats chatted to the women

schools which are still among the best in India. I checked in at the Pinewood Hotel, a rambling building with deep eaves and wide verandahs built in 1917 for tea planters and their families. The porter took my bags, showed me to my room and then inquired if I would like a fire. He returned within minutes, bearing a basket containing kindling.

It was Sunday next day, and in the clear, chill light of morning I went to see Shillong. It is no longer the sleepy hill station of the Raj. The narrow streets are crowded with taxis and cars, and new, ugly concrete

buildings dominate the centre.

Not far from the Pinewood, however, I heard hymn singing and, looking up, saw the red corrugated roof and steeple of the Shillong Anglican church. I slipped through the door and joined the congregation, most of whom were Khasis, singing "Forward Christian Soldiers".

As we filed out into the sunlight at the end of the service, I shook hands with the Rev Lyndoh, also a Khasi, and complimented him on the size of the congregation. "We have a good turn-out," he said. "But if you want to know about Shillong, you should talk to some of the older residents." He gave me a phone number which I called from the hotel. "We're having a bit of a do," said a slightly accented voice, "and you are most welcome."

In Upper Shillong, easy chairs stood on the lawn in front of a large bungalow, and men dressed in blazers and cravats chatted to the women folk. My host, Peter Furst, was an Austrian who had fought in the British Army during the second world war, before becoming a tea planter in upper Assam. Now in his 70s, he had come to Shillong with his wife Maureen to retire.

"And anyway," he pointed to the distant snow-capped peaks of the eastern Himalayas, "it would be terribly difficult to leave all this."

At dawn the next day, I left Shillong on a road which wound through canyons and then climbed up on to wind-swept moorland. We were

bound for Cherrapunjee, one of the wettest places in the world. Situated on the easternmost rim of the Meghalaya plateau, the town catches the full force of the monsoon as it funnels up from the plains of Bangladesh. The record year, which is still spoken of in awe, was 1876, when 41 inches of rain fell in 24 hours.

The town is a collection of low-roofed bungalows gathered on a rocky promontory of steep cliffs. In the market place, Khasi tribeswomen, with lips crimson from betel nut, sit selling oranges and honey gathered from groves in the valleys below.

On Furst's recommendation, I went to the Ramakrishna school and introduced myself to Mr Das, the vice-principal. Wearing a thick

worsted suit, with muffler and carrying an umbrella, he came down to the quadrangle and told me proudly that his school provided education for Khasi children from outlying villages.

"They come from all over Meghalaya," he said, pointing with his umbrella down into the valley where, far below, I caught the twinkle of steel roofs in the sun-shine. "It takes three hours to walk up from there," he said. "So many children come to us as boarders, but they work hard, and many go on to university."

"And the rain," I said. "Doesn't it get you down?" "Oh, you get used to it," he replied. "Why, it poured this year for 1½ months." And he paused, "continuously!"

My jaw dropped, and the Khasi girl, seeing her

moment, gently eased the 50 rupee note from my hand and clinched the deal.

■ Nick Haslam travelled to Meghalaya as a guest of the government of India Tourist Office, 7 Cork Street, London W1X 1PE; tel: 0171-437 36778.

Return flights to Delhi with Air India from Heathrow start at £245. A round trip from Delhi to Guwahati in Assam with Indian Airlines costs £150. The journey by taxi from Guwahati Airport to Shillong takes about four hours.

Places to stay in Shillong: The Pinewood Ashok, tel: Shillong (0364) 23115 or 23765; The Alpine Continental, tel: (0364) 220991-5. Since May 1995, no special permit is required to enter Assam or Meghalaya - an ordinary tourist visa is sufficient.



Oranges for sale: Khasi traders in Cherrapunjee

Nick Haslam

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Overland India In search of Kim

JDF Jones goes on the trail of a classic tale of India

For years, when I have been asked by friends planning a first visit to India to recommend a reading list, I have simply said, "Read *Kim*." To which the usual response has been incredulity. "What? That children's book?" And I have replied, "Read it on the flight and you will see what I mean..."

Peter Hopkirk would agree. He has published five splendid books about the imperial dreams of south and central Asia a century ago, of which *The Great Game* is the best. He has just published *Quest for Kim*, a deliberately and delightfully "minor" book about Kipling's great novel, which Hopkirk confesses was his first inspiration.

Is there anything in international geopolitics more romantic and seductive than the story of the Great Game as it was played on the "roof of the world," on India's northern frontiers, as the Tsarist Russians attempted to infiltrate the British Raj and get through to the Indian Ocean?

The contestants may have changed after the British went home but a version of the Great Game is still being played today. I can recall nights spent in residences in Sikkim and other Himalayan border areas, drinking whisky with Sikh diplomats whose Tibetan-featured assistants did not deny that they slipped across the border from time to time.

Hopkirk, in - as I say - a very slight book, modestly suggests that his journey in the footsteps of *Kim* has no pretensions to being a real travel book. Its aim is to explore the world of *Kim* and the Lama, Colonel Creighton and Lungan Sahib, Mahbub Ali and Hurree Chunder Mookerjee... My aim, born of strong missionary zeal, is to persuade people to rediscover Kipling's Indian masterpiece.

Hopkirk is "writing" for readers who know, or once knew, the book. He attempts to maintain a summary of the action but the effort is probably unnecessary - it is hard to imagine that anyone will read it who does not re-read



ish his Kipling. What we want is to hear what Hopkirk has discovered.

He starts, inevitably, with the Zam-Zamah gun in Lahore, where the boy Kim is first spotted - and he relocates it. Similarly, he re-positions the old "Wonder House", the museum of which Kipling's father was curator and who, in his fictional capacity, made welcome the old Lama.

From Lahore, Hopkirk attempts, with occasional failures, to follow the journeys of *Kim* and the Lama. For instance, he fails to take a train to Ambala, and finds that the old tonga road to Simla, the route taken by British administrators from the plains to the hills for more than 70 years, has apparently vanished.

With Kipling's principal characters, Hopkirk has better luck. Mahbub Ali appears to have been modelled on an actual Afghan horse-dealer bearing that name, who was known personally to Kipling when he was working as a young frontier journalist on the Civil and Military Gazette.

Hopkirk is writing for readers who know, or once knew, the book. He attempts to maintain a summary of the action but the effort is probably unnecessary - it is hard to imagine that anyone will read it who does not re-read

As for the places, which Hopkirk has attempted to track down on our behalf, Kim's school - financed by the Lama - of St Xavier in Lucknow was in reality La Martinière. (We are reminded that in Lucknow, uniquely, the Union Jack was flown both day and night since the 1857 mutiny.) In Mussoorie, 7,000ft up in the Himalayan foothills, where Kim and the Lama slept in the open, Hopkirk stayed at the Savoy Hotel, where, he declares, he would happily spend the rest of his life.

As for Shimla - where the young Kim met the Woman, in the master's most erotic and understated episode - Hopkirk has to admit that it does not exist. And the "River of the Arrow", where the Lama eventually found enlightenment at the end of his Search? It turns out to be an irrigation channel like a million others.

Does any of this make sense to people who do not know the book? I suspect not. For the experts, Hopkirk offers a couple of thoughts.

He wants to change the usually assumed date of Kim's adventure by 10 years, to 1858, after the second Afghan war. In this context, he finds official reports of the arrival of three Russian explorers in the northern kingdom of Chitral, and he explains why the Babu knew that one of the intruders was French.

Quest for Kim is certainly not *LitCiv*, and its author denies that it is a travel book. So why is it worth reading? First, because it is a sensible and enthusiastic view of *Kim*; we are encouraged to laugh at those fatuous critics, often American academics, who have made such a meal of a classic adventure story and who see Kim's meeting with the Lama as symbolic of a colonialist annexing a new territory. Second, it takes us back into the Indian context of this wonderful classic.

And third, it demands that we read the book, perhaps for the first time since childhood. * *Quest for Kim* by Peter Hopkirk, John Murray, £15.99.

كتاب في الاجنبى

SPORT



Australian Michael Lynagh making his debut for Saracens

Huw Richards visits a club which has quickly come to terms with the global market

NEW season. New players. New rules. New grounds. New money. The trouble with the changing world of English club rugby is that it starts to sound like a pastiche of a Tony Blair speech. To feel that sense of change there is no need to go to a game. Try ringing Saracens, the north London club which epitomises many of the game's fresh developments.

Ringing most clubs, even the biggest, until last season was a matter of locating the key volunteer individuals — press, fixture or match secretaries — generally on home numbers.

Ringing Saracens and a dulcet recorded voice cuts rapidly into the answering tone: "Welcome to Saracens. If you are looking for match or ticket information, dial one. If you want..." and so on detailing a variety of customer services operating out of a business centre near their new ground in Enfield.

The English game's newly minted clubs are not hard to

spot. Most sport an exotic variety of new playing recruits, with rugby league stars — reverting the trends of a century — the latest fashion item. Some clubs, Bath and Wasps for instance, are determined to hang on to the elite status hard-won over the last decade of the amateur game.

Others, such as Richmond, Bedford and Gosforth, want to regain former standing. Saracens, although consistently good for the last few years, have never quite ranked at the very top — except in terms of collective friendliness.

Consistent producers of top-class talent, they have just as frequently seen their discoveries leave for clubs of greater glamour — if not invariably higher playing standards — in pursuit of England recognition.

Little wonder they have decided that it is no longer enough to be liked, and taken the opportunity provided by property magnate Nigel Wray's money to professionalise, off the field and on it, and to become competi-

tive in the world market for the best players.

Gone, at first team level at least, is Saracens' engaging shoebox of a ground in Southgate — atmospheric with a few hundred in the crowd, downright claustrophobic with a couple of thou-

sands of spectators in the stands.

Both teams were consistently looking to make and take chances

live in the world market for the best players.

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were firmly on top and firmly demolished Gloucester.

Here was the best early argument for union's new dispensation — the liberating effects of rules changes and the positive attitude of both teams. It is not that defence was neglected, but both teams were consistently looking to make and take opportunities, to keep the ball in the hand rather than kicking for touch.

It was still instructive to hear one spectator, a soccer fan giving rugby a try, say afterwards that it was a bit stop-start. But the bulk of the audience were vocally appreciative of the game's fluency.

It is far too early to be sure that the imperative to entertain, vital if the game is to attract the new fans, its economics demand, will at last start to prevail against previously endemic percentage-play. Heavy grounds and relegation fears will exert countervailing pressures as the season progresses.

And Saracens have only just begun a battle on several levels. One, begun well, is to move up a level to join the very best. Another, also with early promise, is to attract and retain an audience far larger than the stalwarts of Southgate. But this involves a balancing act. Clear-eyed professionalism has arrived to stay.

But as Clem Thomas, a great player and distinguished journalist who died earlier this month, pointed out in one of his last articles, fun and fellowship are integral to rugby's appeal.

The challenge for a club which has epitomised these values is to win consistently without sacrificing them.

Soccer / John Perlman

Hunger for Leboeuf

After another week of political wrangling over British casts, it is perhaps fitting that this weekend's most intriguing Premiership match could turn on the qualities of an imported Berger on the one hand and a French Leboeuf on the other.

At the start of the season, many regarded Liverpool as the club best equipped to challenge Manchester United for the title. But with last season's explosive strike partnership of Robbie Fowler and Stan Collymore (65 goals between them) failing to reignite, and man-markers tracking Steve McManaman from the moment he left the team bus, Roy Evans's team in attack had been looking more gun than tooth.

In a rare shopping trip abroad Evans had paid Borussia Dortmund \$2.25m for the attacking Czech mid-fielder Patrik Berger, but it was not until halfway through Liverpool's sixth match of the season, against Leicester on Sunday, that he was finally given a run. Berger scored twice — pacey runs, fierce left-footed shots — and a 3-0 win took Liverpool to the top of the table.

This afternoon, they put that lofty position on the line at Anfield against a Chelsea team whose current position two points behind them owes much to the impetuous form of their French sweeper Franck Leboeuf. In a transfer market where most real business starts at seven figures, the \$2.5m Rund Gullit paid for the 23-year-old Frenchman looks like an inspired bargain buy.

Leboeuf arrived in the Premiership overshadowed at Chelsea by Gullit's Italian signings Gianluca Vialli and Roberto di Matteo, and with little advance publicity for his ability — a member of France's Euro 96 squad, he never once budged off the bench. And yet Leboeuf has, with Middlesbrough's Brazilian mid-fielder Emerson (another signing initially overshadowed by a more expensive Italian), been probably the most influential of the new foreign imports to the Premiership.

In defence, his tackling has been sharp, clean and strong and his positional sense superb. Leboeuf is an exceptional passer of the ball and ever eager to lengthen his stride and quicken the pace as he surges forward with the ball at his feet. As if

that's not enough, Leboeuf — with three goals — is Chelsea's leading scorer.

His main task at Anfield, though, will be to provide Chelsea's defence with a strong central axis on which it can turn and adjust to Liverpool's attacks. Berger, who likes to use his pace and elusive dribbling from deeper positions, will be harder to pick up than most and will test Leboeuf's ability to organise the players around him.

It is an intriguing duel for the neutrals, a critical one for the partisans, but it also highlights a rather important aspect of the ongoing debate about the role of foreign players in the Premiership.

Berger is a class act, no doubt about that, but you could argue that there are English players who can fulfil the same role with similar ability. Not so the ball-playing adaptable central defender whose skills Leboeuf has been providing masterclass in.

It is a rather important position. As Manchester United prepare for next Wednesday's Champions League match against Rapid Vienna, still smarting from their defeat by Juventus 10 days ago, Alex Ferguson was making a last effort to buy Miguel Angel Nadal, the Spaniard whom he hoped might do for his team what Leboeuf has done for Chelsea.

At least Ferguson has the option of shopping duty-free — there are no English candidates who seem to interest him. Glenn Hoddle, who names his England squad on Friday for the October 9 World Cup qualifier against Poland at Wembley, has no such flexibility.

Hoddle wants to build his defence — and in effect his playing system — around an attacking intelligent sweeper like the 23-year-old Frenchman. But at the moment, Leboeuf Anglaise is in short supply.

Two of the leading candidates, United's Gary Pallister and Gareth Southgate of Aston Villa, are up for direct comparison at Villa Park this afternoon. But six days ago Southgate was up against Leboeuf when Villa went to Stamford Bridge. It would have given Hoddle some idea of how hard he is going to have to look. There was, for all Southgate's strengths, simply no comparison.

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MOTORING

On Test

Rivals under the same roof

Stuart Marshall drives the new Passat and finds the latest Skoda is certainly no joke

An automotive group with four different marques knows that it covers most of the market from cheap runabouts to large luxury cars. The downside is that the cars may end up taking sales from one another as much as they do from their rivals.

Volkswagen Group's four marques are Audi, VW, Seat and Skoda; its two latest models, the new VW Passat and Skoda Octavia. The Passat is good enough to tempt Audi A4 buyers to trade down and save a little money. And the new Skoda Octavia could similarly seduce potential Passat buyers who are being leaned on by their bank managers.

There would be some loss of perceived social status but not of very much else because the Passat feels and goes like an Audi A4 and the Octavia feels and goes like a Passat. Which is not surprising: under the sheet metal there are more similarities than differences. Chassis, platforms, engines, transmissions and suspensions are mixed-and-matched among most VW Group cars. The Octavia's mechanical bits and pieces are the same as the new Audi A3's.

Officially leaked pictures of Passat and Octavia had made them look very much alike. They are less so in the metal though still clearly related. The Passat, which is



A New VW Passat: good enough to be an Audi A4 alternative

about 20cm (7in) longer than the Octavia, has some of the Audi A4's roundness, with just a hint of the old VW Beetle's drooping roofline. And the Octavia looks a bit like a Rover from the front, an Opel (Vauxhall) Vectra in profile, but is still clearly of the Passat family.

I drove the Passat in and

around Dresden, where bil-

lions of D-Marks are being spent on new buildings and restoring old ones devastated in the second world war. The roads, though, are still much as they were in west Europe 40 years ago. Around the Skoda plant at Mlada Boleslav, where I sampled the Octavia the following week, main road surfaces were much better but

there were still enough cobblestone stretches to prove that both cars rode well on the rough.

Eventually, there will be

Passats with five and six cylinder engines, but the range at present is limited to 1.6-litre and 1.8-litre petrol four-cylinder units and VW Group's formidably good 1.9-litre direct-injection turbo-

diesel. Passat interiors are a touch classier than the Octavia's; both cars have seats that would be nicer if softer. Rear passengers do better for leg and knee-room in the Passat than the Octavia but the Czech-built car has an impressively large boot.

My driving experience of both cars is limited to about 70km apiece in two models -

one petrol, one diesel - of both marques. (On foreign press launches, more time is usually spent getting there and back and watching elaborate presentations than behind the wheel.)

So, until I have lived with both Passat and Octavia for days rather than an hour or two, what can I say? That the 1.6-litre, 100bhp petrol

engined entry models were quiet and refined at moderate speeds, becoming rather buzzy due to low overall gearing at 130mph/210kmh.

And that the 1.9-litre turbo-diesel engined models (110bhp in the Passat, but only 90bhp in the Octavia) were better all round. With massive pulling power at low engine speeds they were

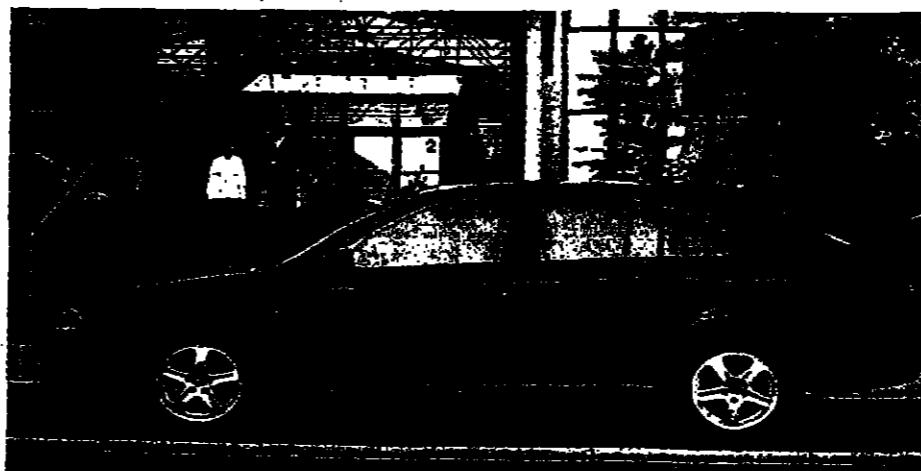
as lively as the petrol engined cars in town, as quick to overtake in the country. Higher gearing made them more relaxed at motorway speeds.

The VW 1.9TDI is the most efficient engine in production; both Passat and Octavia will be capable of averaging over 50mpg (5.65 l/100km). Passat turbo diesels will be available with automatic transmission.

Four-cylinder petrol and diesel Passats go on sale in Britain at the end of next month. Prices are still secret but Volkswagen GB says they will let it compete head-on with such fleet favourites as the Ford Mondeo and Vauxhall Vectra. Up-market versions with five and six-cylinder engines follow. Passat Estates will be unveiled at Geneva in March and go on sale soon after.

Although sales of the Octavia in left-hand drive markets start this autumn, Britons will have to wait until early next year to take advantage of its best European technology at South Korean and Malaysian prices.

Forget all the old Skoda jokes. (Question - what do you call a Skoda convertible? Answer - a skip.) The new Octavia will be able to look any of its rivals straight in the eye while it undersells them. The price differential could be anything between 15 and 20 per cent.



Skoda Octavia: a European car to sell at South Korean prices

Electric car with a buzz

From Scalextric to the real thing. Haig Simonian reports

My first electric car was, of course, a Scalextric model racer. Bought as a bribe for some now-forgotten exam victory, it provided a miniaturised taste of the potential of things electric.

I felt a twinge of memory whipping round the curves at the Mortefontaine test track near Paris this month in the EV1, General Motors' first commercial electric car, soon to go on sale in parts of California and Arizona.

Spectacular Scalextric-style crashes were fortunately avoided, although it was I did notice an occasional wobble in the voice of my passenger, Vincent de Roodt, an engineer from GM's Delphi components subsidiary, as we careered towards a junction at nearly three times the 45kph limit.

Excessive exuberance behind the wheel is a common fault when novices drive the EV1, according to Bill Fink, European technology director of GM's Delco electronics subsidiary, which invented the multiphase propulsion system driving the vehicle.

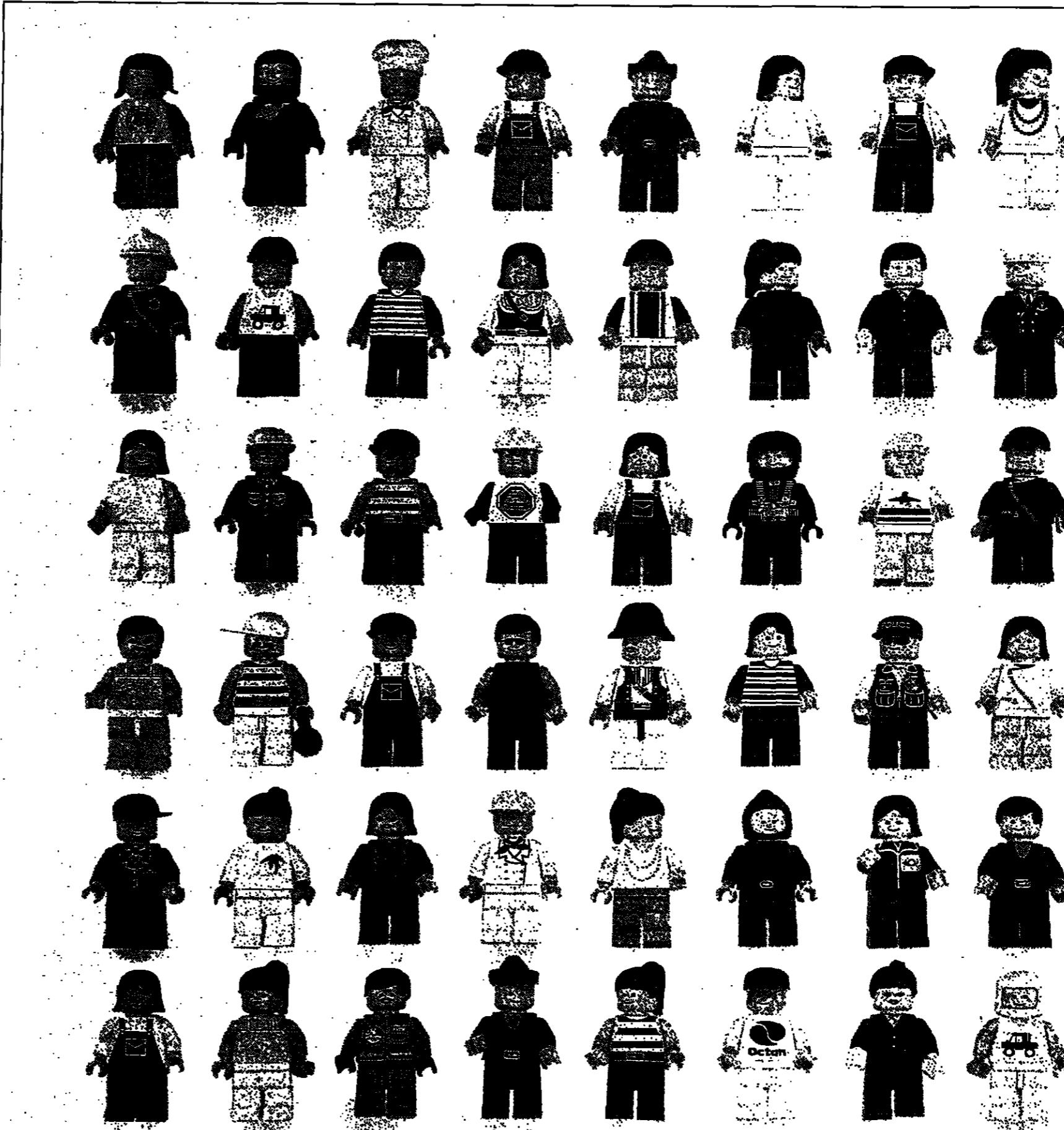
"Most people are not used to cars which are so quiet. On top of that, people tend to drive aggressively at first to see whether their preconceptions about electric cars are true."

Most preconceptions are negative. Motorists normally associate electric cars with milk floats and the like. Practical, but dull. So vehemently do GM's staff strive to avoid such comparisons they unwittingly emphasise the link.

The EV1, however, cost about \$350m to develop and is the first purpose-built electric car in decades. Many car makers have built electric vehicles but most are converted from existing models, mainly vans, although in the early 1980s Peugeot produced a batch of electric 106s.

The EV1, however, is a stunner. The main reason is that it has been conceived as electric from the start. Spurred by the threat of new environmental laws in smog-ridden southern California, which would have forced volume car makers to sell a rising proportion of non-polluting cars, the EV1 represents the latest thinking on electric power.

That means low drag and low weight to stretch its range, yet, like other electric cars, distance is the EV1's



Models courtesy of The LEGO Group

SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obviously really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

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And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.



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United Nations High Commissioner for Refugees

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EV1: exuberance is a common fault when a novice takes the wheel

FASHION



From left: A selection of ties from a collection of 2,000 owned by one person, £100-£500 per lot of approximately 20 to 30 ties. A purple, three-piece suit, complete with horizontal stripes and flared trousers, by Tommy Nutter, circa 1970. Estimate £150-£200. A voluminous pirate shirt and shorts from Vivienne Westwood's seminal 'Pirate Collection'. Estimate £150-£200. A pair of canary yellow, see-through plastic boots by Mary Quant, mid-1960s. Estimate £200-£400. From the Christie's sale of Street Fashion, Costume and Textiles.

Second-hand roses in demand

Damian Foxe and Libby Sellers on the growing market in clothing auctions, which is starting to compete with modern collections

Clothing auctions have become big business. While the market for costume may never yield the prices of fine art, it is nevertheless increasingly lucrative. In 1971, the record for a garment sold at auction was just under £1,200, for a 1740s embroidered wedding dress. Now it is £50,500, for an early 17th century gentleman's silk doublet, sold by Christie's in 1989.

Later this month, the clothing battle lines will be drawn when London Fashion Week, the biannual ready-to-wear collections, coincides in South Kensington, London, with the third annual auction of costume and jewellery by Christie's.

Contemporary designers seem bogged down, obsessed with reviving the past. Yet, all the while, the original is there for the bidding, at a fraction of the cost.

The trade is brisk at present. Private and trade collectors are eager for garments from a century that is about to end, driving the already competitive market for antique clothing. Museums from Japan to Norway want

to expand their collections, while large fashion houses are buying back benchmark pieces to fill gaps in their own archives or to mount retrospective exhibitions.

"There are three types of buyer," says Kerry Taylor, Sotheby's textile expert, "museums who buy to display, dealers who buy to sell and a small group of people who buy to wear."

By far the largest end of the market consists of professional dealers. They buy garments, photograph them beautifully, possibly spend a lot of time researching them and preparing dossiers, and then approach a museum to sell the garments on at a huge profit.

Dealers, however, are facing more competition.

"Buying at auction has become very difficult because of the increased interest from museums, fashion houses and private collectors," says Mark Steinberg of Steinberg & Tolkein, a vintage clothing emporium on King's Road, Chelsea.

"However, my customers still include major fashion houses such as Karl Lagerfeld, Christian Dior, Anna Sui, Donna Karan, Christian

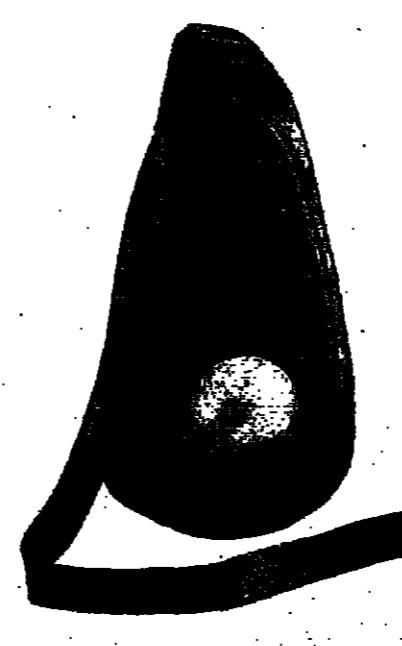


From left: waistcoats from the Williams-Wynn Collection, from Sotheby's sale in November. A Pierre Cardin 'wet look' black patent, tear-shaped shoulder bag set with a metal sphere, late 1960s. Estimate £150-£200.

Lacroix and Jean Paul Gaultier.

Gallery to study Velazquez.

For serious collectors of haute couture, the top labels include Balenciaga, Schiaparelli and Madeleine Vionnet. Vionnet may not be a household name, but Christie's



sold a beaded creation for £25,000 in June 1995. More affordable, yet equally collectable, labels include Christian Dior, Givenchy, Yves Saint Laurent, Vivienne Westwood, and

Patricia Frost, an associate director of Christie's who specialises in costume and textiles, says: "The key to buying successfully is to find something that is distinctive and eye-catching. If a dress turned heads in the 1950s, it will still turn heads today."

Isabella Blow, stylist and contributing editor of British Vogue, agrees. "Couture is making a huge comeback. With the approach of the millennium, I think people want to own something that will never be created again. The biggest joy of it all is that you can actually wear these clothes and look even more contemporary and modern than in the clothes of today."

"With haute couture, the interior of the garment is as important as the exterior. It makes you feel important, as well as individual. When I look for old couture clothes, I am looking for beauty, cut and the architecture of the

dress. Many of the more unusual garments have become like fine art paintings or photographs that capture a period in history."

Taylor says: "I think that the novice buyer should look for the extraordinary in everything." But adds: "The garment should be from the designer's heyday, it should be unaltered and in perfect condition. For instance, if you brought me a 1970s Christian Dior I would not be interested because it is past its sell-by date. It would have to be from his New Look, pre-1955."

At the forthcoming Christie's auction, a Christian Dior black, silk evening dress and jacket, circa 1955, is estimated at between £200 and £300, with the catalogue's disclaimer that it has been heavily altered. By contrast, a Schiaparelli Robe de Bal "à la Circassienne", circa 1936-38, in pale lilac silk mouseline sprigged with opalescent sequins, is estimated to go for between £200 and £1,000. An identical gown is reproduced in *Le Livre de la Haute Couture*, V&O Editions, Paris, validating its provenance.

In spite of these recom-

mendations, the buy-to-wear auction market remains relatively untapped. For some, the thought of wearing what is essentially second-hand clothing is unacceptable. For others, the prospect of procuring them remains prohibitively daunting.

Suzy Walls, of Christie's, says: "Although people can try certain garments, there are no changing facilities. We do, however, have an expert on site at the pre-views. My advice would be never to buy anything because you think it will increase in value, buy it because you like it."

Taylor adds: "The problem with haute couture particularly, is that it is made to fit one specific woman. When you are considering tightly boned, fitted, 1950s garments, you can run into problems." Her advice is to size up, as it is always possible to fit something taken in or up. But remember, changing a garment, regardless of how subtly, will lower its value and change its intrinsic design qualities.

Alteration is also difficult to do. You may like the 1920s, but few women today have the flat-chested, pencil-straight bodies of that era. Similarly, few women suit the hour-glass shape of Dior's New Look from the 1950s. It is better to be realistic than disappointed.

At Christie's, with the increased emphasis on the sale of more contemporary fashions, the buy-to-wear market has begun to develop. "We get a very wide customer base," says Walls, "particularly for our annual street fashion auction, where we clear as many as 250 lots. Our most popular labels are Vivienne Westwood, Mary Quant, Paco Rabanne and Courrèges, with a particular interest in Biba following the re-launch of the label earlier this year."

Much of the street fashion reflects the changing social attitudes and lifestyles over three decades, from 1965 to the late 1980s when high fashion moved away from the exclusive and extravagant designs of couture houses in Paris, London,

Rome and New York to styles which originated on the streets.

In September last year, a pair of Vivienne Westwood/Malcolm McLaren tartan bondage trousers (complete with bum flap) sold for £450, and a collection of T-shirts from the late 1970s fetched up to £300 each. Jane Mulgagh, Westwood's biographer, attributes the designer's popularity at auction to the type of person bidding for the clothes.

"The buyers," says Mulgagh, "are predominantly of the new rich meritocracy - actors, film stars, writers. For them, Westwood's clothes epitomise the era that is still strongly perceived as the greatest youth culture movement to date."

Says Taylor: "People want things that typify a period, benchmark pieces. It is not enough to produce beautifully tailored, understated and elegant pieces. The thing that makes the whole business go around is how extraordinary and how extreme fashion can be."

Fabric technology may have modernised and aided the appropriation of styles from bygone days, but they will never compete with the original. The techniques of modern fashion sacrifice the individuality once associated with fine clothing. The thrill of owning a hand-stitched Balenciaga gown or an authenticated Westwood/Malcolm McLaren T-shirt gives as much, if not more, satisfaction than any contemporary reproduction.

Clothes auctions mean that true sartorial originality is now an affordable investment.

■ *Street Fashion, Costume and Textiles* at Christie's of South Kensington, Auction Tuesday at 3pm (tel: 0171-83120/83121/83122). Viewing: Monday and Tuesday 9am to 7.30pm.

■ *Sotheby's Sale of Fabric Swatch Books, Fine Costume, Haute Couture, Fashion Designs and Country House Textiles*, Auction: Thursday November 7 (tel: 0171-7372631).

A to Z of Business Schools

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Residential Property

A SPECIAL WEEKEND FT SUPPLEMENT

The pleasures of living in the past

Anne Spackman talks to Sir John Harvey-Jones about his houses

If there were an Elizabethan Home Owners Club of Britain it would probably elect Sir John Harvey-Jones as its president. Sir John can hold forth on the splendours of oak and Age with the same passion he exudes for widget-making or the Royal Naval College at Greenwich. Elizabethan architecture is his firm favourite, with Regency coming second. Much of his time and money has been spent propping one, or the other, up.

It all began in 1988 with a converted water-mill on the North Yorkshire moors above ICI's Teesside base.

"Apart from tea rooms and Anne Hathaway's Cottage I had never seen timber buildings before," Sir John, a former ICI chairman and business troubleshooter, says.

"This was oak-beamed, it was in a marvellous location with no other houses in sight and a stream running through the grounds. We used to be able to sit in our drawing room and watch the salmon jumping. That house started the whole thing off."

Since then, there have been two Elizabethan gems, one in Essex and one in Herefordshire, with a Regency in-between. This year he has bought Regency again, in Herefordshire, "the ultimate sacrilege, but then, as somebody wisely observed, with property, location is all."

He expects this move to be the last. "We have downsized, as befits old people," he says wryly. "The trouble with Elizabethan houses is that they can be too large. My wife and I are at the stage where we are worried

that one of us will die - the shelf life of a retired executive like me is about six months. I didn't want Betty to be in the position of having to leave the home we had built up together."

That last home was the splendid Grade I Rudhall. "It was a most beautiful house," Sir John recalls, "absolutely magical. It was built in 1800 and had been lived in continuously ever since. Nelson had stayed there - and he is a great hero of mine. He came to the area to select oaks for his ships."

Rudhall sold within an hour of being put on the market to the first buyer

They are masters at dealing with rot and deathwatch beetle

who saw it. The new owner has plenty of enthusiasm but no experience of living in an Elizabethan house. "For him it is the beginning of a journey," Sir John says, "for us, it was the culmination."

Both Sir John and his wife grew up in families based in colonial India. Neither had anywhere in England to call home. That rootlessness persisted while he was in the Navy. In 1958 the move to the mill on the moors gave them a chance to put down roots and establish a pattern of life which has continued ever since. "Put us down anywhere and we burrow in like moles," he says.

They go for remote houses, usually in need of restoration, which continues until the day they leave. "It amazes them how the English moneyed classes still rub along with one freezing bathroom and a poky kitchen."

They try to restore the structure as authentically as possible, while installing modern necessities such as central heating. "Having an Elizabethan house doesn't stop us putting in spanking new bathrooms and kitchens," Sir John says. "I want to be live in the place. I want to be warm. One of my hobbies is cooking, so I want a really spacious kitchen - but with an Aga rather than an Elizabethan open fire."

They are past masters at dealing with the familiar enemies of dry rot, wet rot and deathwatch beetle. "Woodworm? I eat woodworm for breakfast."

Sir John says if you poke around too much you simply unearth more trouble. But if you leave places, something far worse can happen. One night before he was due to go on a six-week visit to the Far East the entire wall of their house in Essex fell down. "I had to go, but I didn't much like leaving my wife protected from the elements by nothing but a sheet of polythene."

But these pains are more than compensated for by the pleasures of living in a beautiful period house. Sir John lists the main joys as being the warmth of the oak, the location - "in those days each house of any size was located with extreme care" - and the mature trees which surround you. The downside

of Elizabethan houses is that they are often dark, whereas Regency houses are light and open to the gardens.

"We have never taken any liberties with our houses," Sir John says on a more serious note. "We spend a fortune restoring them and loving them and cherishing them. At Rudhall we had what some people believe to be the finest bargeboards in Britain. They had had no treatment, yet they were still solid - you couldn't bang a nail into them. It's unbelievable how oak houses last."

"But Elizabethan houses are very unforgiving," he says. "It is very difficult to light them sympathetically. You can buy very old chandeliers, but they're very expensive. Everything about Elizabethan houses is expensive. You spend the whole of your life and wealth proping them up. It's not a game for anyone who hasn't got access to money."

Many Europeans find this English willingness to sacrifice so much in the cause of preservation as eccentric as our fondness for warm beer. Why not, they ask, buy a new house?

Sir John shakes his head. "As a race we tend to be backward looking - but then we have some glorious things to look back on. When you live somewhere like Rudhall it gives you a feeling of being a part of old England."

"Each house my wife and I have owned, we feel we have saved for another 20 or 30 years," he explains. "It's like planting trees. It's a bit of immortality. You have to put something back," he says.



Sir John Harvey-Jones, lover of old England, in front of the market hall, Ledbury.

Hen Lees-Boer

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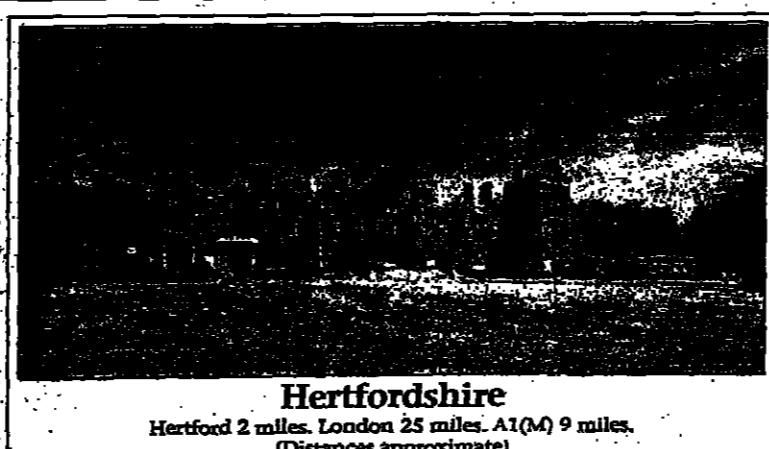
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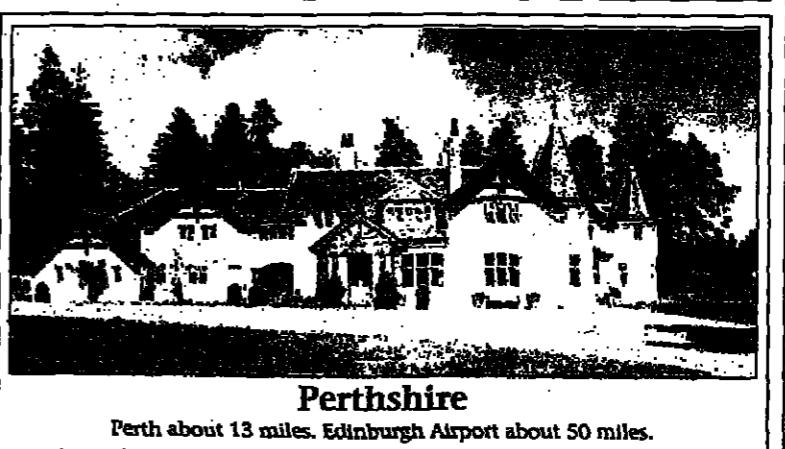
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RETIREMENT HOMES

Rise in demand for top quality housing

Gerald Cadogan on the latest developments for older buyers

If only we had come sooner," is the comment Noel Shuttleworth, pioneer of retirement housing in the UK, hears most often. What do the occupants of his English Courtyard Association developments mean? They suddenly realise, he thinks, that "they are free of property obligations" and have time for grandchildren and leisure, while the management company takes care of maintenance.

"This business is about freedom," he says. "And it is our moral responsibility to keep people as long as possible."

That means designing accommodation that is easy to adapt as people get older, especially as more people are buying younger, even at 55 (the usual minimum age for retirement schemes). "Those around 70 who are still active derive most benefit." Cottages are planned for occupants to live wholly on the ground floor if infirmity strikes them, and stairs are built to take a lift. "We aim to provide services, but not look geriatric."

Wide doors for wheelchair and electricity sockets at waist height are standard, and in the new ECA scheme at Mytchett Heath, in Surrey, the drawing room ceilings conceal joists for a wheelchair lift straight into the bedroom. It is easy, if

necessary, to cut back the plaster and put lifts in. A courtyard or quadrangle is the usual layout for top-class retirement housing specialists such as ECA, Beechcroft and Pegasus. It can hold apartments and terrace "cottages" and gives a sense of community. But no two schemes are the same. Most include a small private garden for cottages as well as the communal garden.

All schemes have someone on call, generally a warden or manager, 24 hours a day, but the companies stress that they are not nursing homes — although they are happy to arrange for the doctor and nurses to visit. Other options may be a dining room, a minibus for taking residents shopping, and guest suites. At Mytchett these suites cost £9.50 for the first night, and £2 a night afterwards for up to five nights.

Some schemes offer swimming pools but Shuttleworth does not see them as essential.

People like the idea if they come in to a new scheme, but as they grow older and use them less, discontent may arise between users and non-users over the service charge.

I put this to Mike McCarthy, of Pegasus, who replied that he had costed the pool at his scheme in Oxford and found that it added only 85p to 90p a week

to the charge, which was not worth arguing over. But it is a large scheme of 92 units which lessens the cost. Guy Mossop, of Beechcroft, reports that his pools are very popular.

The Pegasus flagship scheme, converting the Empire Hotel, at Pulteney Bridge, in Bath.

area of Bath.

The move to steadily higher quality is a notable change in retirement housing. Buyers "want space and service," he adds, "and to influence how it looks."

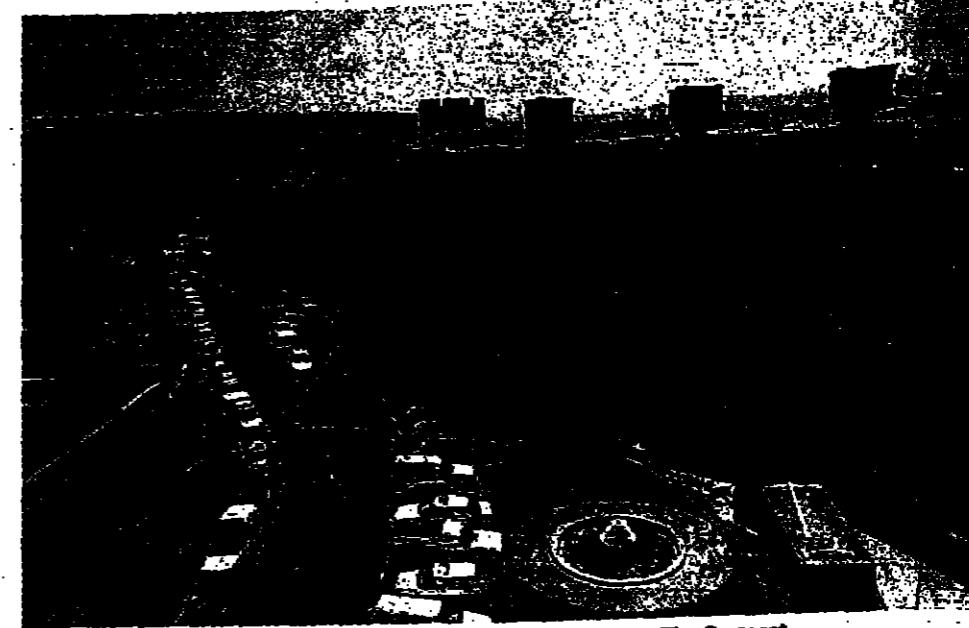
The approach must be paying off since three-quarters are now cash buyers, with the rest on part-exchange; 2½ years ago it was the other way round. Pegasus had 50% more turnover in the first half of 1995 than in all of 1995, ensuring the best year since it was founded 11 years ago.

Likewise, ECA sales were up 73 per cent and reservations 100 per cent compared with January-June 1995.

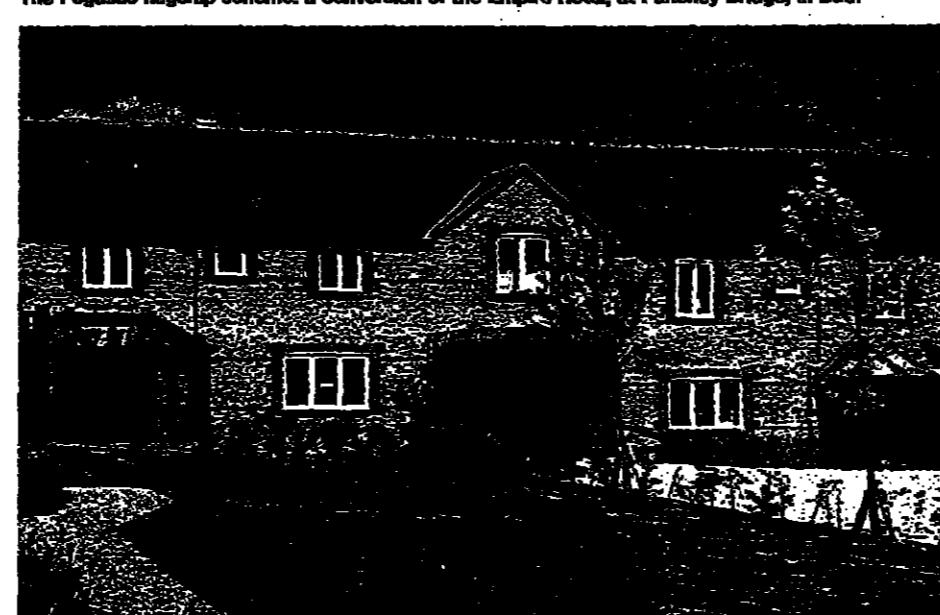
Demand for one-bedroom units is down. Buyers like two or three bedrooms and two bathrooms, and enough parking space. Couples now make up 40 per cent of buyers, McCarthy finds, and there are more single men: a short time ago 80 per cent were single women (including widows and divorcees).

Shuttleworth recalled that his first scheme, at Pewsey, in Wiltshire, took in three clerics.

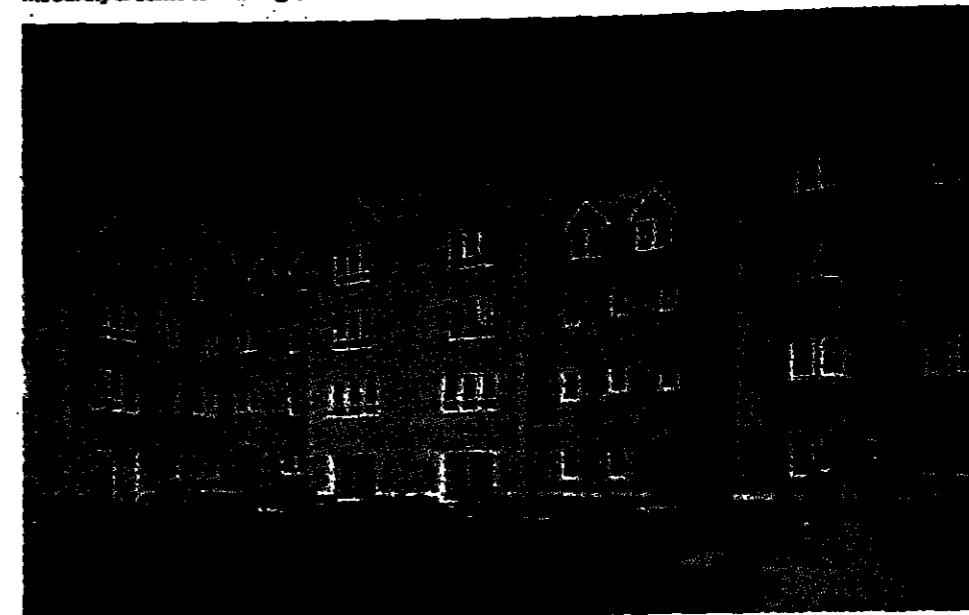
Buyers are often on the mailing list for years, Mossop says, before they decide



McCarthy & Stone is working on Buxton's listed Grade I centrepiece, The Crescent



Beechcroft's cottages at Barton Farm, Cerne Abbas, Dorset



The Cloisters, Oxford, a development by Pegasus

to move. Shuttleworth finds that almost 80 at ECA have heard of it from a friend or visited an ECA scheme.

Residents normally buy a leasehold and pay an annual service charge. Typically this could amount to between £150,000 and £250,000 with a service charge of perhaps £2,000.

Beechcroft is starting soon in a Cotswold market town.

ECA still has some space at Mytchett and Pegasus has some in Bath. McCarthy & Stone is working on a scheme in The Crescent, the listed Grade I centrepiece of Buxton, in Derbyshire.

And what will the next move be? Mike McCarthy is in no doubt: "Many more brown-field schemes on redundant urban spaces." Since one aim in retirement developments is to increase the density of occupation, cities are ideal locations. Shops and leisure are there to hand. He is looking hard at Leeds, London and Manchester.

■ **Beechcroft, Wallingford** (01992 824075); **English Courtyard Association, London** (0800 243805); **McCarthy & Stone, Altrincham** (0161 941 6255); **Pegasus, Cheltenham** (01242 576610).

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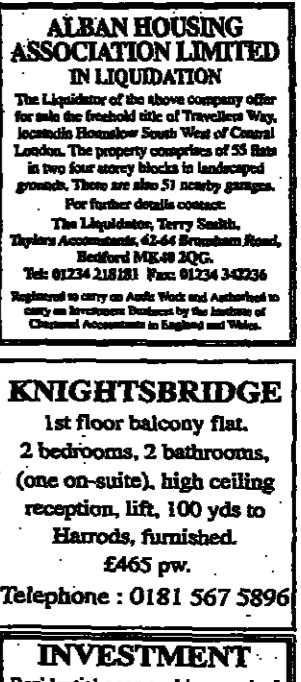


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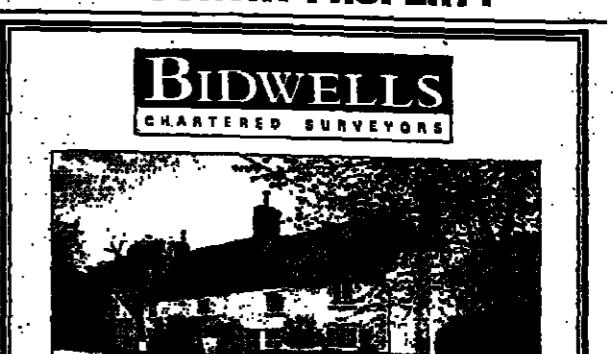
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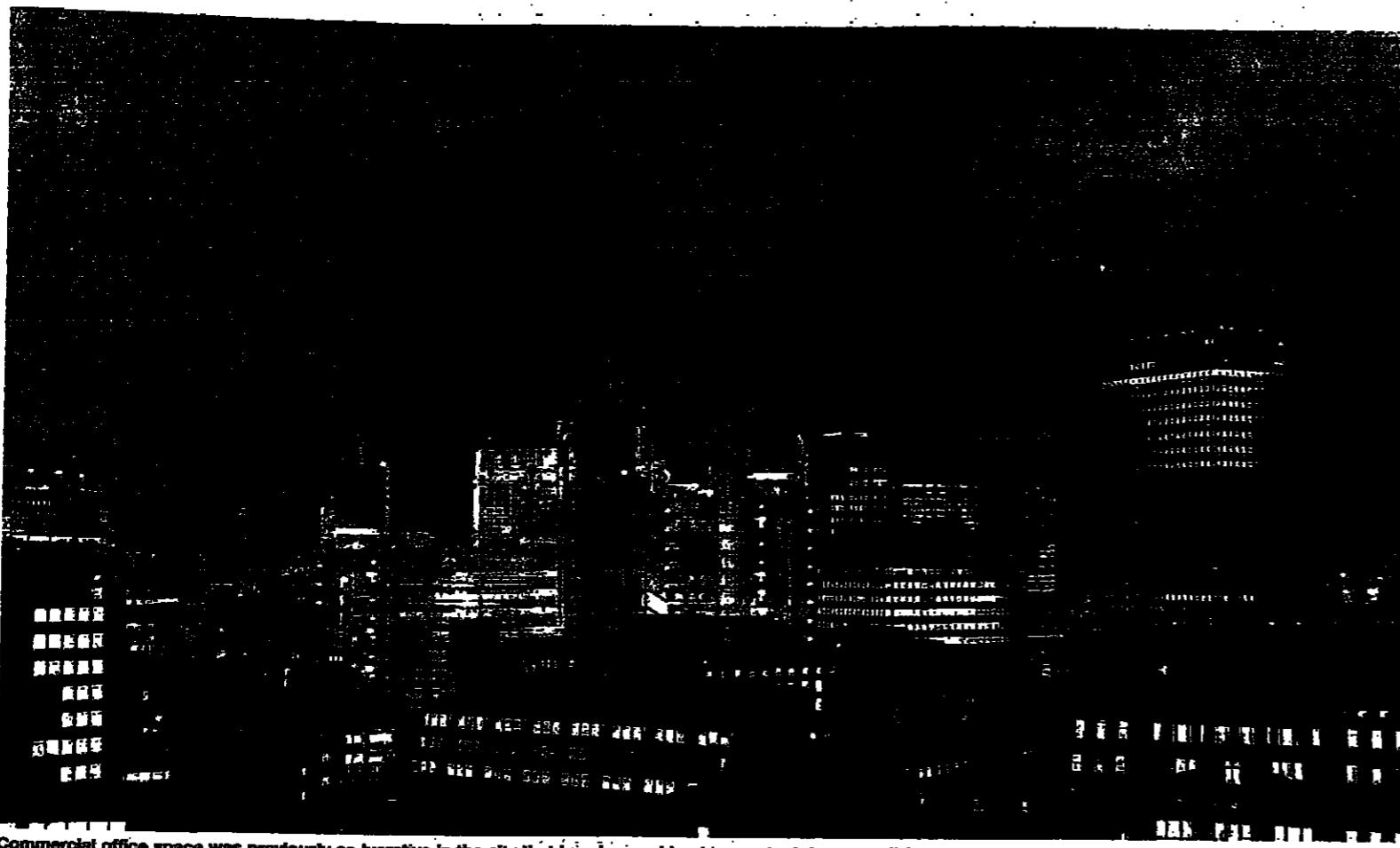


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Commercial office space was previously so lucrative in the city that housing could not compete. It is now a different story

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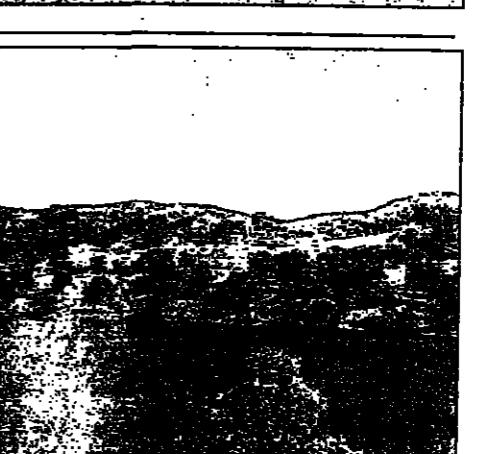
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A new-found interest in living above the bank

Anne Spackman looks at homes attracting bankers and business people

For the first time in 150 years the population of the City of London is rising. The addition of a few hundred new residents hardly compares to the 130,000 who populated its wards in the mid-19th century. But they do represent part of a shift in the residential pattern of the capital.

The City never recovered as a smart place to live after the Great Fire of 1666. While the merchants hurried to rebuild their commercial premises and public buildings little consideration was given to the quality or style of housing.

As Roy Porter writes in his highly acclaimed *London: A Social History*, the phoenix City displayed little that was grand or glorious... the housing style was vernacular and solid - there was nothing like the new West End... the fashionable field for ever."

Those who are returning might not argue with that. They are buying homes in the City not because it is the smartest place to be, but because it is convenient for work. If asked where they lived, the majority would have another house to call home.

The City's new residents divide into three groups. Half are business people who have either bought or are renting their City flat as a pied-à-terre near the office. Of the rest, many are overseas bankers working in London for anything from three months to three years. Finally, there are the first-time buyers, who have opted to live over the shop - or, more likely, the bank - rather than commute. It is a more concentrated version of the resident profile found further east in Docklands.

Why have these people chosen the City? It seems it is partly a result of changes in living habits and partly the result of the changes in London since the beginning of the decade.

The average working day for most of the City's new residents is likely to be 12 hours. For many, it starts early and, even when it ends, there are clients to be entertained.

"There has been a real turn-around in people's attitudes to commuting," says Suzanne Powell-Cullingford, of Hamptons, which is opening its first lettings office in the City this autumn. "If they have to be



A view from the penthouse at St Andrew's Hill (Hamptons)



The exterior of The Powerhouse, Cornhill, London (Hamptons)

at their desk by 7am they don't want to get on a Tube at 6am."

It is also the first time the City has really been an option. Apart from the architecturally-challenged Barbican - which houses half the City's 4,000 residents - there have been almost no new homes within the Square Mile until now.

Commercial office space was previously so lucrative that housing could not compete. But with poor quality office buildings attracting little interest and with land elsewhere in London so expensive, the developers are moving in.

One of the most active is St George, the London wing of Berkeley Homes. It is building the largest City development at Little Britain, a few hundred yards from St Paul's Cathedral. The scheme involves the creation of five buildings which either retain or replicate their 19th-century facades. They will contain more than 90 mainly one and two-bedroom apartments, with prices at around £200 per sq ft.

St George is also involved in the redevelopment of the former Spitalfields market, just outside the City's eastern boundary on Bishopsgate. Singaporean investors bought heavily into the 130-

apartment development in May, probably convinced that the new banks on the site would guarantee a steady flow of City tenants.

Although it is styled like a traditional terrace of houses, the scheme consists entirely of apartments with a business centre and gym attached. Hamptons plans to set rent levels at around £232 a week for two-bedroom flats.

Commercial office space was previously so lucrative that housing could not compete. But with poor quality office buildings attracting little interest and with land elsewhere in London so expensive, the developers are moving in.

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development of areas on the City fringes such as Clerkenwell and Southwark.

The difference is that the City's reputation makes it an easier address to sell to the Far Eastern investment market. That, in turn, means more tenants and second-home owners, which is likely to mean the communal niceties of restaurants, shops and street life take longer to become established.

This lack of social life has kept bankers in New York around Central Park rather than Wall Street, according to Kathryn Korte of Sotheby's International Realty. "There have been some developments in Battery Park, but investments bankers and bond traders really don't want to live in that area," she says. "They still prefer to have their pied-à-terre on the Upper East Side or Mid-Town, where there is more of a social life."

The Corporation of London is determined that those bankers who have opted for the Square Mile will not be forced to give up their social life. They are keen to establish the kinds of bars, shops and eateries springing up elsewhere in the capital. If they do, they might start attracting some purchasers who are willing to call the City their home.

Where developers have prime sites, prices have risen accordingly. At St Andrew's Hill in EC4 and at the Powerhouse development on Cornhill, Hamptons has let one-bedroom flats for more than £350 a week. Both schemes were sold in the Far East then let to banks such as Warburgs, which uses the flats to house bankers on short secondments.

The latest prime development is by Regalton, which is creating 11 apartments 300 yards from the Mansion House on the river overlooking Southwark Bridge.

Prices for the one-bedroom apartments start at £280,000, with the penthouses priced at £1.5m. The scheme has just been launched in London after some pre-sales in Hong Kong.

The combination of commuter resistance and commercial recession which is driving the City market has also been responsible for the

development of areas on the City fringes such as Clerkenwell and Southwark.

The difference is that the City's reputation makes it an easier address to sell to the Far Eastern investment market. They are also part of a consortium developing the Shell

Downstream building on the south bank which is to be converted to residential use.

In the City itself the market is virtually only for City workers.

The trend away from offices

Anne Spackman on the areas which are the focus for developers

The division between residential London in the west and working London in the east is being most actively eroded in the central districts which link the City and the West End.

Places such as Holborn, Clerkenwell, Bloomsbury and, on the south bank, Southwark, which are dominated by second-rate commercial and institutional buildings, are now the focus

of developers' attention. There is a growing consensus that buildings with poor quality space and services will find no takers as offices. Instead, developers are looking to convert them into hotels, serviced apartments or residential blocks.

The pattern which began in Clerkenwell, where redundant warehouses were turned into lofts, is now spreading across what Savills describes as the mid-

town districts. In the no-

man's land between Islington and the City, Metropolis is converting a 1950s office site on City Road into The Lexington - an apartment block which takes its name and style from New York. They are stripping the building to its frame, putting in car parking and a gym and high specification flats which will be marketed at around £225,000 per two-bed-

rooms. The first phase will

be sold later this year

through Savills and Da

Groff Collis.

These apartments will be almost twice as expensive as Metropolis' earliest develop-

ment of a tea warehouse a few hundred yards to the north. The price differential is partly because of a few hundred yards making a lot of difference in that neighbourhood, but it also reflects an improvement in the area's residential acceptabil-

ity over the past 12 months.

Galliard, the developers of County Hall, are looking to extend their coverage of central London with the acquisition of a building behind the Strand called Little Adelphi.

They are also part of a con-

sorium developing the Shell

Downstream building on the south bank which is to be

converted to residential use.

In the City itself the mar-

ket is virtually only for City

workers.

GLOBAL LIVING

How the very rich choose their homes

Anne Spackman considers the lifestyles of those who spend their time whizzing around the planet

For properties sold for more than £2m in London a perverse rule seems to hold true: the more expensive the house, the less time its owner is likely to spend in it. Almost anyone who can afford a £2m house in London can usually afford a country house, as if not a holiday home on the Mediterranean, a flat in New York and a base in their home country, should they be from overseas.

There are plenty of these people and their numbers appear to be growing. According to agents Knight Frank there are 86 properties on sale in London for more than £2m. Compare this with the market just 15 years ago in September 1981, since when the cumulative rate of inflation has been 99.7 per cent. Then, the number of properties for sale at more than £1m in London was 17.

The big increase would appear to be partly because of the rise of London as a world city, attracting ever more global residents. In 1987, according to Savills research department, three-quarters of buyers of prime central London property were from the UK, with the other quarter made up of Americans, Europeans and Far Eastern purchasers.

Now UK buyers make up just half the purchasers of prime property, with the other half coming from across the globe. These figures apply only to purchasers of second-hand property, who normally buy for their own use. They therefore represent an increase in residents, rather than an increase in investors, who are concentrated in new

developments.

The increase may also reflect the growth in very wealthy people who do business across the world. Their working life means they never spend more than six months of the year in any one country. How best do these global people meet their property needs?

The answer depends partly on how they make their money and partly on how much of it they make.

Successful businessmen make up most of the world's global residents. Lorna Vestey, of agents Knight Frank, says they buy in London because it suits their personal as well as their business lives. "We have world-famous schools and universities, world-famous shops, good theatres, pageantry, excellent racing and, on the whole, buying property in London has proved an excellent investment," she says.

Willie Gething of the buying agent Property Vision has done three deals at more than £5m in London this year, all of which are for clients who own many other homes. He says that for the very rich the decision to buy somewhere is based on ease of lifestyle and confidence in the currency.

"London is a destination of choice rather than purely of convenience," he says. "As Europe's largest market in the world, London is a sensible centre of operations for global business people. Most will also own in New York, then in a holiday destination such as Gstaad, Aspen or the south of France.

"They won't buy in the Far East; they might have an office there, but they will rent a hotel suite while they

are doing a specific deal."

Many global buyers have made their money in entertainment. Perry Press, whose property company Paredes finds houses primarily for those in the music, movie and arts world, has one over-riding piece of advice: "Don't buy anywhere where you spend less than half the year, unless it costs so little that you wouldn't mind it being washed away."

Perry says he used to be gung-ho about buying in the United States. Many of his

British clients had American wives, the US was crucial for business and good for tax purposes. Now, he thinks they are better off renting.

"I came to see the downside of owning property in more than one country in terms of the administration involved," he says. "You have to employ a local housekeeper and security staff, you have to employ a local accountant and then you often have to employ someone to keep an eye on him. The swimming pool

cracks or the tennis court gets flooded and it all has to be dealt with. You can rent the best house for less than the cost of maintaining your own. Also rent is a deductible expense if you are working on a project."

Many of the wealthiest British showbusiness people are middle-aged men whose careers have lasted 20 or more years. They are most likely to keep a base in London and a country house near good schools and within easy reach of Heathrow, where their family will be based.

Show business stars from overseas are responsible for some of London's most spectacular rentals. Tom Cruise

is said to have paid £10,000 a week for a house in Holland Park. Cher rented a flat in the trendy Docklands enclave of Oliver's Wharf.

Lorna Vestey, of Knight Frank, says their unsettled lifestyles make renting a more suitable option. "The business person knows he can operate from wherever

he wants to," she says. "Showbiz people have to be more mobile. They cannot say they will always spend certain months of the year here, because they might be making a movie elsewhere."

She says there are some very rich families who simply collect houses around the world in the same way other people might collect cars. "There are people for whom we buy and buy, but never sell. If the value of their property is going up, why should they worry?"

Show business stars from overseas are responsible for some of London's most spectacular rentals

By Anne Spackman

Property editor

of the *Financial Times*

and *Property Week*

and *Country Life*

and *Country Homes*

and *Country Living*

and *Country Homes & Interiors*

and *Country Interiors*

The lure of Asia's emerging cities

Anne Spackman discovers the rising price of eastern promise

When a German businessman was murdered in Johannesburg last month, the South African-German Chamber of Commerce revealed that 16 of the 30 chief executives of German companies operating in South Africa had been victims of violent crime. It is a disastrous statistic for a country trying to rise up the list of preferred relocation destinations, particularly given that it has to compete with what is known to Europeans as the Far East.

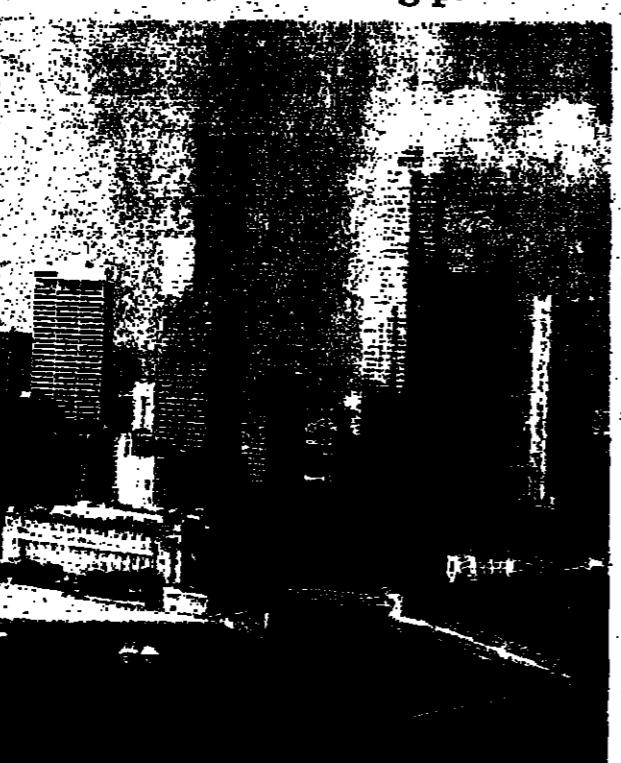
Of all the emerging world cities to which business people might choose to move, Singapore and Kuala Lumpur are probably considered the safest. Indeed, Singapore is well-known in the US as the country which caused an American teenager for spraying graffiti. You are more likely to be the perpetrator of a crime, such as smoking in the street, than to be a victim.

Business people from the US, Britain, Australia and, to a lesser extent, Scandinavia and the rest of western Europe, are increasingly moving to the emerging cities of the Far East. Singapore, in particular, is sucking in business from Hong Kong, now only nine months away from hand-over.

Those who find Singapore too expensive are increasingly moving to Kuala Lumpur, with Bangkok and Jakarta developing fast behind.

Singapore is set to more than double its city area, attracting ever more bankers, accountants, architects and entrepreneurs into its millions of square feet of new offices. An even more frenetic pace of development has been adopted in Kuala Lumpur, as Malaysia has set itself a target of becoming a first world country by the year 2020.

Singapore is, as of this



Singapore already sucking in money from Hong Kong, which is only nine months away from hand-over

Tony Atkinson

year, already there. It has the huge advantage over the others of an effective transport system. It might take 45 minutes to drive three miles in Kuala Lumpur because of the traffic congestion. In Jakarta and Bangkok it is worse. The only drawback in Singapore is that with cars costing a minimum of \$100,000 most business people cannot afford to own one.

The same is true of property. Foreigners are returning to own landed property, but few would want to. Singapore is a rental city for overseas workers. Most live in the prime districts, numbered nine, 10 and 11, near the main shopping belt at Orchard Road. Shirley Tan, of agents Savills Galbreath, says district 15 near the airport, is also emerging as a cheaper, acceptable location.

Yvonne Toh, LCR's director of marketing and sales, says she is typical of the customers they are aiming at.

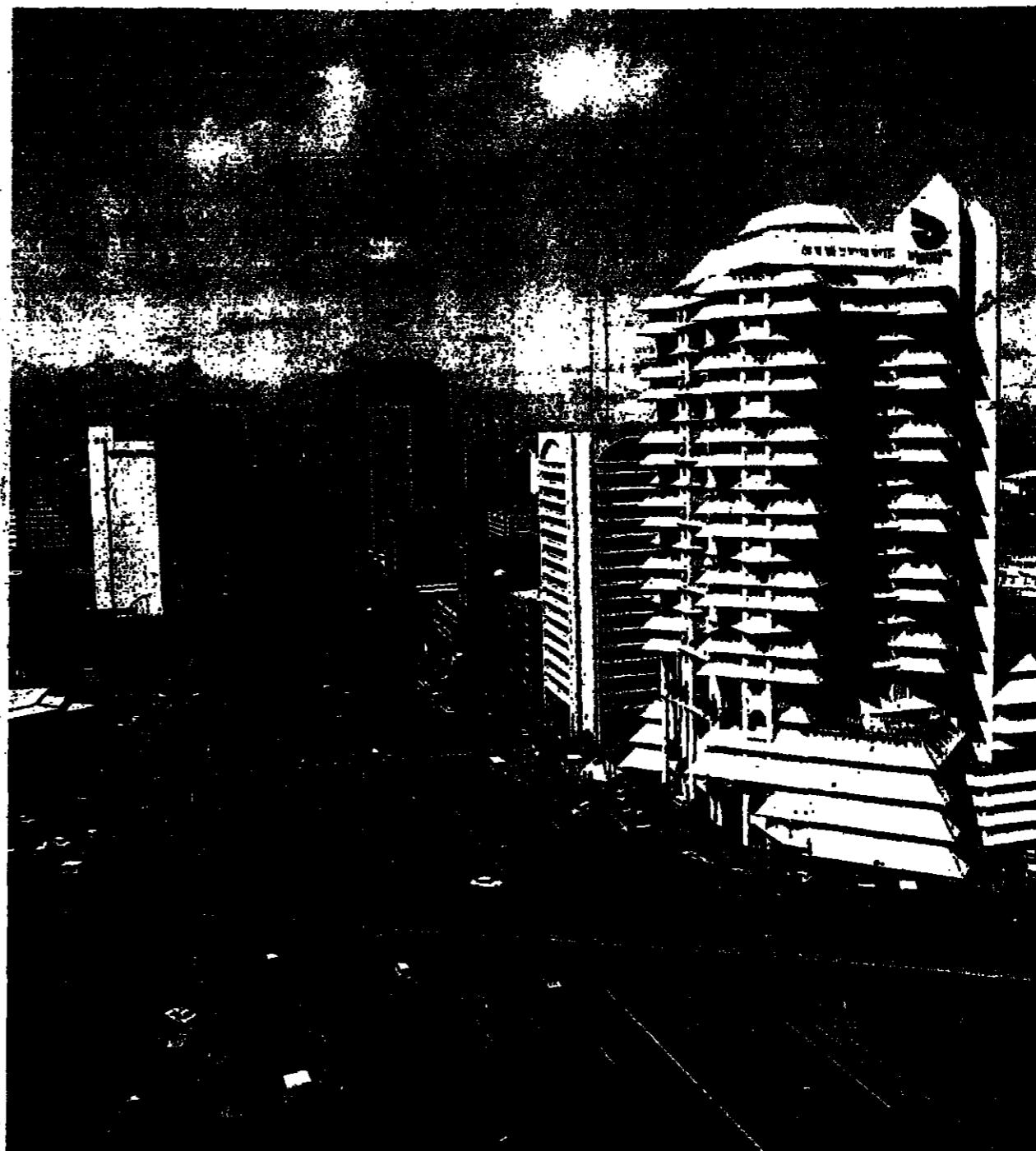
"I am Singaporean but I have lived in the States, in Hong Kong, in London and in Brussels. When I plant myself in any city, I'm looking for the same lifestyle. The type of people who travel abroad are very different now from in the past. The English don't expect to play cricket and create a garden any more. They are younger. They want the same facilities everywhere in the world."

In Kuala Lumpur the "condo" existence can be bought more cheaply. With much more space, rental costs are less than half those in Hong Kong and Singapore. Robert Ang of Savills' associate, Rahim & Co, says a three-bedroom apartment in Kenny Hills, Damansara Heights or the more central Ampang area would cost from \$6,000-10,000 ringgit a month. In Bangsar, which is slightly cheaper, prices are from \$4,000-7,000 ringgit.

But this is not the only lifestyle on offer. Executives and wealthy Malays often live in detached houses with swimming pools. Nick Thompson, who oversees the Far East for Knight Frank, says: "Damansara Heights is a sort of Wimbliton equivalent, a leafy area near the city. The journey to work would still be terrible, but nothing like as bad as in Jakarta or Bangkok. There it could easily take you to work.

Kuala Lumpur is hoping to ease its traffic problems with the introduction of a light railway. Phase one of the scheme, being built by Taylor Woodrow, is due to be completed by the year end.

The Singapore-based property company, LCR Developments, is one of many exporting this model to cities in the west, including London and Sydney. Doreen



Jakarta: rentals are surprisingly high because of the demand for quality accommodation

Patricia Pictures

has brought in people from across the world, but particularly from the large multinationals," says Robert Ang. "The manufacturing investment tends to come from Asian countries like Japan, Taiwan and Korea. The Asians are used to a lower quality of accommodation and tend to have lower rental budgets."

Dr Stanley Quek, chair-

man of LCR Developments, says Kuala Lumpur is catching up on Singapore fast. "A lot of companies are relocating there because the office rentals and the accommodation are so much cheaper," he says. "In the last five to eight years Bangkok has also built itself some high quality condominiums, but it has not sorted out its traffic problems. You have to live

in town near the office in order to get to work. Some people live by the water and travel that way."

His company has just built a block of serviced and rental flats in Jakarta, which is a few years behind Bangkok. Rentals are surprisingly high because of the demand for quality accommodation in the prime areas.

Many British companies

are expanding into Jakarta and Bangkok, but their staff still tend to come out for specific projects rather than to be posted for a number of years. Bill McIlintock of Hamptons International, says there has been tremendous growth in Bangkok in the last three or four years. "Jakarta is quite a long way behind, but they are both pretty exciting places to be."

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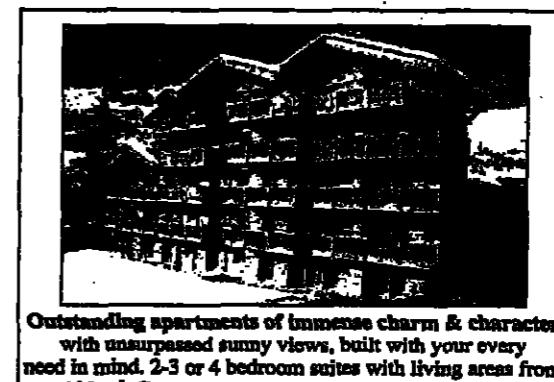
the London area.

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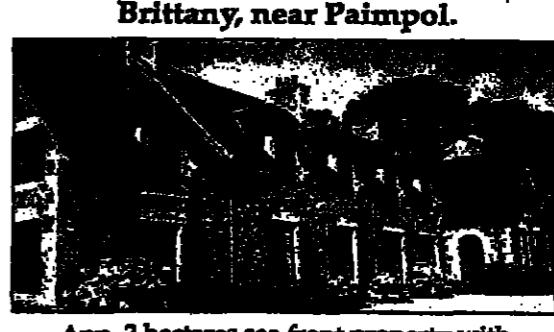
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ARCHITECT-DESIGNED HOMES

Why do British buyers tolerate wimpish design?

Gerald Cadogan enjoys some homes which are modern and mould-breaking

It is rare to find well-designed, unabashedly modern architecture on the UK market. This makes the minimalist conversion of an office building into flats in Pollen Street, London W1, all the more interesting.

The architect of the development, between Hanover Square and Regent Street, is Mark Guard. Guard's aim is to maximise light, space and whiteness, even using reflected street lights.

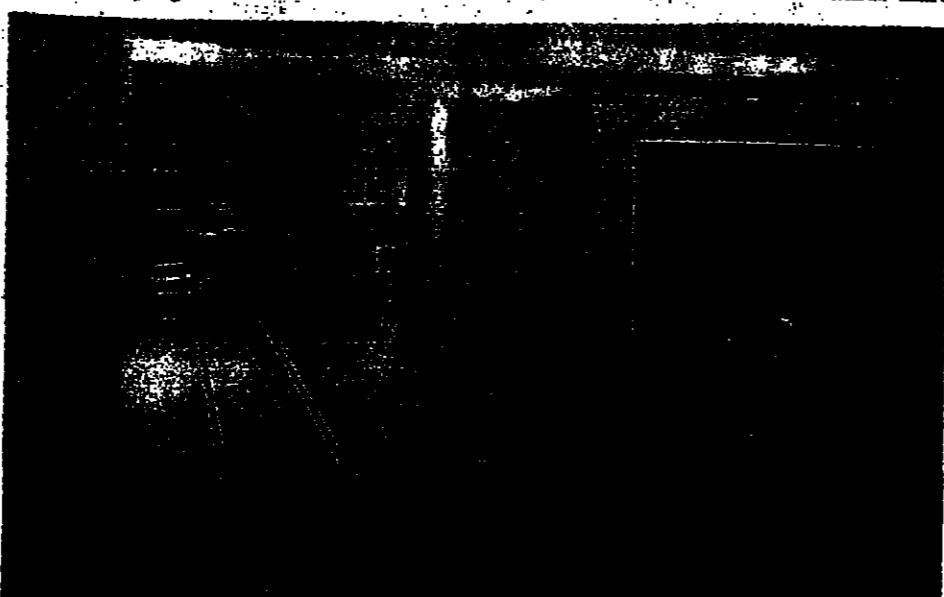
How different from the usual predictable new homes for sale. At the more expensive end of the market, they are neo-Georgian boxes, perhaps adorned with a neo-Georgian garage and swimming pool. Genuinely new ideas barely exist except in the areas of utilities, insulation and energy efficiency.

Neo-Victorian, with Gothic windows and the suggestion of a turret, is less frequent but there is enough around to keep the makers of Staffordshire Blue and (yellow) London Stock bricks busy.

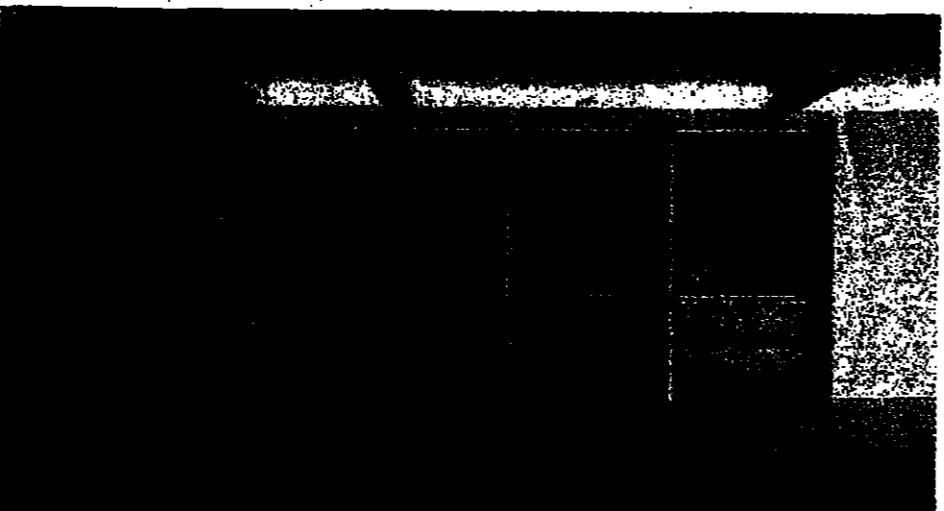
Their job is to add polychrome patterning to the design, in an attempt to enrich the look of the building - a favourite ploy also for supermarkets. The results are a feeble pastiche of their 19th-century originals.

Likewise, it is rare to find paint schemes as bold as some Victorian concoctions. To see how they managed to be subtle and at the same time flamboyant, look at the paintings on the Thames bridges.

New homes are often given "character" by adding "vernacular" details, creating a hodge-podge of old-fashioned architectural elements bolted on to a house. One wall may be of knapped flint, even if it is not in chalk-and-flint country. Hanging tiles are put on the first-floor walls, although they have nothing to do with their original



Tower Bridge flat: one of three pictures on this page illustrating Mark Guard's use of light and space



A Guard apartment in Soho, London

function of protecting the soluble wall filling.

Why do the British tolerate such wimpish design?

Inertia is one reason. So is the feeling of comfort that traditional design seems to give, even if it has been ripped out of a rightful wil-

lage cottage context and stuck on to a suburban design.

But it is what the great British public wants and this, I suppose, includes Prince Charles.

Such attitudes make it tough for innovative architects. That may be why one sees more work of theirs in commercial or public contexts.

missions than in private houses, and why the Royal Institute of British Architects runs an award scheme for housing projects, to increase interest in the sector.

But the picture is not all sentimental sogginess. Guard has already designed flats for clients who bought "unfinished shells" in Manhattan Lofts' conversions of old commercial space. "Open plan, or minimalist, that is what they like," he says. And who are these buyers? "Mostly mid to late 30s, without children, or the children are with a previous spouse." If it is a *pied-à-terre*, the aim remains to keep children out.

In Guard's new project everything is white except for the pale birch-wood floors. It is an ideal context for brightly coloured - or black - pictures and furnishings. He sets out to achieve "flexible or transformable" space.

Big sliding doors, white, of course, create an interplay of smaller and larger areas. As they have no handles, they look like walls when they are shut. Roof lights, balconies and thin shafts, as well as windows, channel light.

Since the kitchen is part of the main room, Guard also minimises that. He says:

"You must be able to sit down and not feel you are in the kitchen". He conceals appliances behind plain white doors so that nothing shows until the door is opened. Here all must be "visually discreet" and extractor fans remove smells.

For washing he favours circular showers which need specially ordered fibreglass bases. Why circular? "Because I can only think when I am going around in circles." The views from the eight flats in Pollen Street (which will be on offer through Winkworth from around £235,000) are more



A Guard house in Kensal Rise, London

New York than London - an urban jumble of fire escapes and chimney stacks plus the back of Vogue House and a sighting of the cupola of St George's, Hanover Square.

Their position is superb, on the border of Mayfair and Soho, but without the noisy noise.

An award-winning alternative is the conversion into flats of The Academy, a Victorian school on Highgate Hill, N19, by ORMS Architecture & Design. These are available for £137,500 to £280,000, with a penthouse at £445,000 (through Hamptons or Keith Cardale Groves). Another winner, designed by

Michael Ginn Associates, is Art House Projects' conversion of a synagogue in Spitalfields, E1, into six units, three of them triplex loft-type houses with steel bridges across a sunken garden. Prices range from £175,000 to £275,000. The agents are Tarn & Tarn or Urban Spaces.

Or choose a spectacular whole house in Witanhurst Lane, Highgate, N6, designed by Elana Keats with Michael Conoley and on offer from Aston Chase, Glentree Estates or Savills for £55,000.

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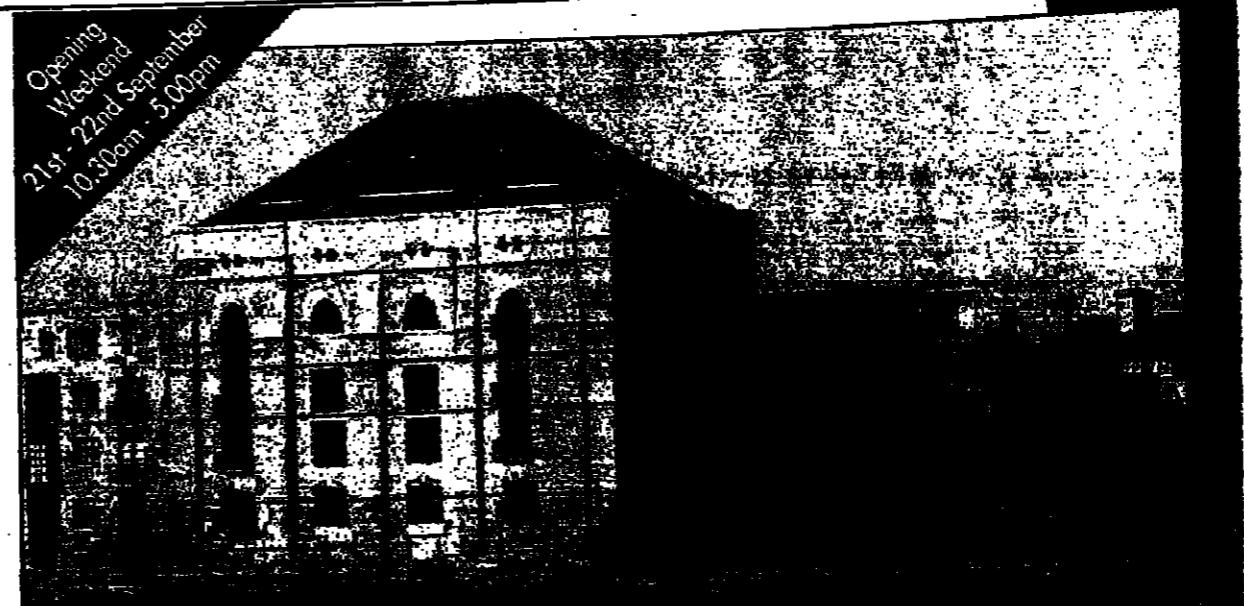
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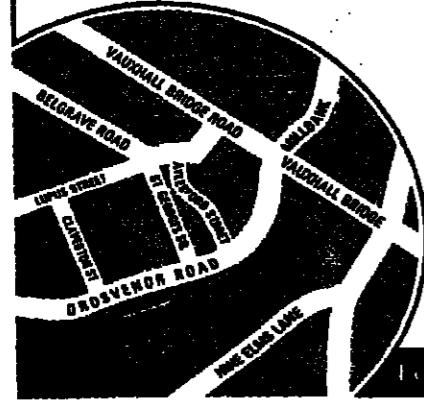
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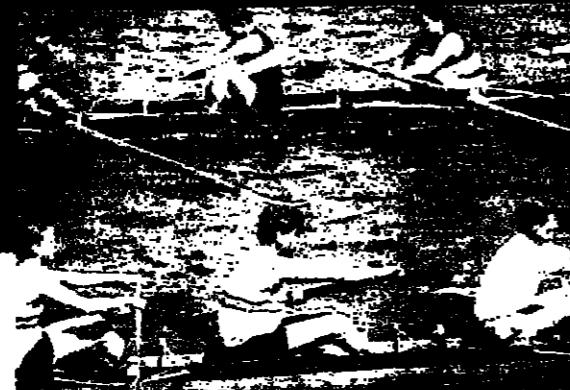
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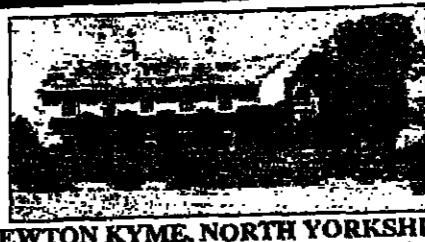
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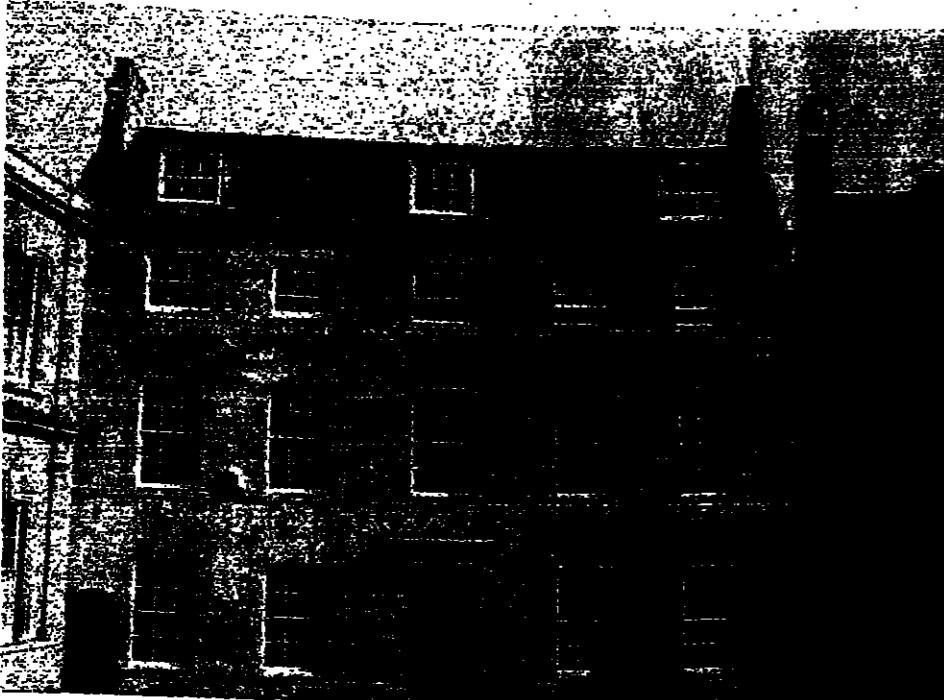
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4 St Mary's Place: the National Farmers Union is selling the building, listed Grade II*, for £250,000



In Rock Terrace two three-bedroom houses are for sale



The rural palace of Burley on the Hill, The Smithy, in the grounds, is now for sale

Life in a famous corner of England

Gerald Cadogan wonders why more people don't seek homes in Stamford, where George Eliot's Middlemarch was filmed

When Middlemarch, George Eliot's profound psychological study of the inhabitants of an English country town, was turned into a television series, visitors flock to Stamford in Lincolnshire, where it was made.

Strangely, there has been no television-led rush to buy houses there. Odd, since Stamford remains an excellent place to live, if one is lucky enough to obtain one of its grand 17th or 18th century town houses.

It is a complete Georgian stone town with about 600 listed buildings, many handsome houses in dressed limestone with roofs of Collyweston stone slates.

In the 1990s it suffered no hurt from new roads or developers' banal shops. Its high street is one of the best I know, because the standard shop facades with their familiar 'high street' names, do not overwhelm the old buildings behind them, for once.

The main part of the town rises in layers against slopes

running down to the river Welland. "It is like Burford in the Cotswolds," a friend said.

In fact, Stamford is better than Burford. The grand houses look similar – and were also built on sheep and wool money – but they are laid out in streets and squares of varying shapes and sizes, and down alleys. They make a townscape of surprises, unlike Burford, which is in the thrall of one big high street. Stamford has the feel of old provincial towns in France or Italy and, like them, shows a strong sophistication.

It prospered as an inland port, and since Roman times, was the place where the Great North Road crossed the river (the border between Lincolnshire and Cambridgeshire).

A parade of fine churches shows how rich it was even in the Middle Ages. Stamford is also known for its many pubs, and used to have its own brewery, now a museum. The river has canoes and rowing boats, and plenty of pike for quenelles de brochet. Or there is fishing, sailing and wind-



In Barn Hill, a cobbled street running up a slope, the old houses are rich in secret back gardens

surfing on nearby Rutland Water, a huge (3,100 acres) reservoir.

Coaching inns grew up at the crossing, of which only the famous George survives,

on the other (Cambridgeshire) bank. Its cobbled yard is a summer restaurant. Nearby, 10 minutes' walk from the middle of town, is the entrance to the park (open all the year) of Burghley House, the palace that William Cecil built in 1587.

Through traffic on the A1 bypasses Stamford but, post-Middlemarch, visitors now

combine Burghley and a visit to the town, which they used to ignore. Businesses are delighted.

Excellent communications are a plus. Besides the A1, Stamford has trains to Cambridge, Leicester and Peterborough, from where it is less than an hour to London on the East Coast main line.

In the 19th century, Stamford's growth slowed once Peterborough had become the main station of the region, apparently because the Marquess of Exeter (owner of Burghley) refused to allow the railway on his land.

The old houses are rich in secret back gardens, especially in Barn Hill, a cobbled street running up the slope at the top of the town. It appears often in Middlemarch and has good views over Stamford and its steepled and towers. But old houses for sale are scarce since many, like those round St George's Square, belong to the Burghley estate which lets them.

But 10 Barn Hill, listed Grade II, with a back garden and the views, is for sale for £235,000 from Everitt Green.

houses are for sale (Everitt Green, £165,000; Savills, £167,500). A large Victorian house in Tinwell Road, from Everitt Green for £250,000, is also on offer.

The rural palace of Burley on the Hill, built between 1694 and 1704 with a colonnaded forecourt modelled on St Peter's in Rome, is 11 miles from Stamford.

A few years ago, the house became the victim of hard times but Kit Martin, guardian angel of many of the country's great buildings, has saved it by converting it into self-contained (and vertically divided) houses.

He has also been converting outbuildings like the Engine House and the Smithy, now on offer at £285,000 and £275,000 from Savills, which is also selling a flat in the Stables (a pre-Martin conversion) for £185,000. In Market Deeping, east of Stamford, 29 Church Street is a typical old village house, from Carter Jonas for just £155,000.

In Stamford (01780): Everitt Green (62849); Savills (65222); Todays (55077). In Peterborough (01783): Carter Jonas (63100).

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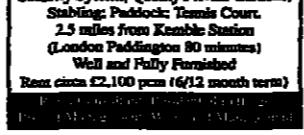
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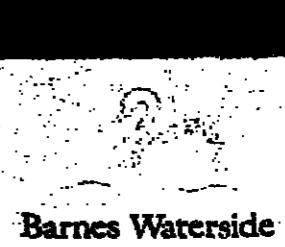
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SEIKO

HOW TO SPEND IT

Young jewels in the crown

Lucia van der Post on designs priced between £30 and £30,000

Those who have come to know the autumn fair at London's Goldsmiths' Hall will scarcely need reminding of how splendid it is.

There, gathered from all parts of Britain, is some of the best work by contemporary jewellers and silversmiths. Apart from being a perfect opportunity to indulge in some early Christmas shopping, it also offers a chance to see what our young – and not so young – designers are up to and to check out those who might be worth commissioning for something special and one-off.

Those whose notion of jewellery and silver veers towards the old and the antique should make the effort to see what is being produced today. They ought to be much cheered.

For instance, there is Richard Fox's work – finely wrought salt and pepper pots and his equally fine spoons which are clean, indubitably of this era and yet as desirable as anything from the 18th century.

Martyn Pugh's silver-trimmed jugs are already so popular that there are waiting-lists for them (when I featured one of his claret jugs earlier in the year the phone rang for days with people wanting to get hold of one).

Maureen Edgar, John Richardson and Alistair McCallum all explore silver and enamel (McCallum in some very sophisticated pieces, Richardson with some rings and Edgar with some strikingly individual bowls,

vases and pepperpots). When it comes to jewellery there is a curious breadth of taste from some strangely derivative "antiquey" looking pieces to some genuinely innovative and exciting work. Look out for the work of Stephen Webster whose belt buckle in 18-carat red and white gold is not only beautiful but quite unlike any other belt buckle I have ever seen.

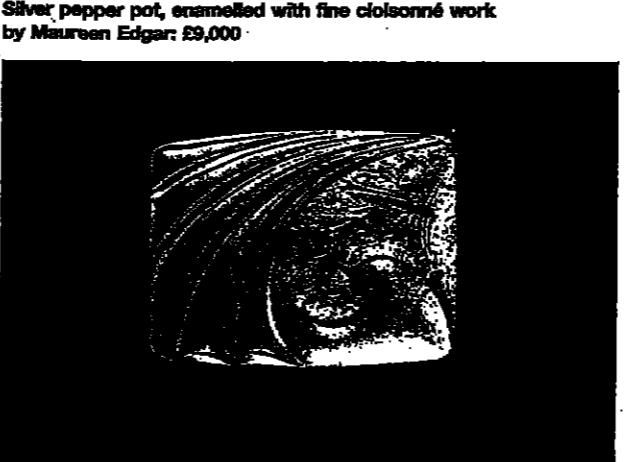
Look out, too, for Alan Cramford's interesting version of the whacking great "solitaire". What Zsa Zsa Gabor – who never hated a man enough to give him his diamond back – would make of it I cannot imagine.

Gabriella Lane's splendidly streamlined version of the famous Chanel jewelled bracelet is eminently desirable but many other jewellers (in particular, Bo Davies and Stuart Wharton) are also worth visiting.

All in all the work of 80 craftspeople is on show. Prices range from £30 for a small ring or brooch up to about £30,000 for a grand piece of table silverware. There is, however, a great deal of jewellery that is under £300 as well as good silver pieces for under £300.

Anyone with an interest in either jewellery or silver, and who cannot get excited by high street shops, should make a point of visiting this exhibition.

It is on from Monday September 20 until Sunday October 6, from 11am to 7pm, except for Saturday October 5 and Sunday October 6 when it closes at 5pm. Admission is £3.



A platinum diamond ring with diamond set in green gold by Alan Cramford: £12,500

Silver-pressed candlesticks (225 small, £95 large) and vase (£120) by Howard Fenn

Shock, horror – purple lips

It comes as something of a shock to reel back from the summer holidays and find that frump-chic is the latest thing. Straight from the African bush and the Scottish heather, it sounds a bizarre candidate for the pages of the glossy magazines, though I should know by now that anything is possible.

All those equipped with crystal balls have, of course, already been rooting round in the second-hand shops and have their wardrobes full of authentic 1970s gear. They have got the flares, the purple Biba dresses and little pull-down bats.

Those who do not have the energy for the second-hand shops (though there is still time – read about clothes auctions on the Fashion page, opposite) may have decided to buy it all new. They will by now have the chocolate brown coat, the tights (the authentic progenitors of the woolly tights are by Prada at £70 a pair, but all except the most obsessive of fashion victims would give up several lunch hours just to find a pair of Wolford's Follow Me at £22 a time), the trailing scarf, the spinsterish cardigan and the slightly A-line skirt sitting nice and dowdily on the knee.

All this means that this autumn is going to be stressful, so you will want to look your best. The authentic frump is topped by a dramatic face. Purple, we are all reliably informed by Vogues American and British, is what we will be wearing on our lips and our nails. This may seem a remote concept, but those who remember the rush for Chanel's Rouge Noir last winter will recognise the pattern. First comes shock, horror, then comes familiarity and later comes a wild desire to buy it and flaunt it. In three weeks the rush will be on for Helena Rubinstein's Black Purple, for Biba's newly launched range of purple lipsticks

and eyeshadows, for Estée Lauder's Purple Reigns Collection.

Prices for keeping up to the minute do not, on the whole, come cheap. One excellent company which is as up-to-the-minute as you could wish for but which does not charge high prices is BeneFit. Out of its San Francisco headquarters it produces a brochure (ring 800-761-2336 to order a copy) which is filled with useful make-up tips.

In Britain, the products can be bought at Harrods of Knightsbridge, London SW1, and Space NK, Earls Court, London WC2. Here are all manner of beauty aids you never knew you needed until you read the blurb. There is, for instance, the lip plump for the "big, pouty lip look without collagen" (a mere £13) and "lisse-proof, swim-proof color" for cheeks and lips (Bene-tint at £20). There is a splendid range of lipliners at £8 a time, lots of glossy and shiny lipsticks and an absolutely translucent finishing powder (£17, which I use all the time. Telephone 01264-738257.

For those who cannot make it to exclusive London beauty counters, Aveda has just started a good mail order service with a splendidly produced brochure come chatty mini-magazine.

Through it you can buy the authentic tools of the trade, from the professional make-up brush kit used and recommended by Ruby Hammer (one of the leading make-up consultants in Britain) to a range of aromatherapeutic body and bath treatments.

There is a range of excellent products for those who want more shine on their hair (the Brilliant Spray-On is particularly good) as well as Styling Pomade for those who simply must emulate the slicked-down look. For a copy of the current issue, telephone 0841-503000.

L.v.d.P.

wins a top medal. Regrettably, it will not supply plants by post, but will book orders until January 31 1997 for collection in spring. A fellow medal-winner is Tivets at 28 Wanlip Road, Syston, Leicestershire (tel: 0116-269 2968), which will supply by post and carries an impressive range.

The failing in most dahlias is the dullness of the leaf, but if you work a few plants at intervals into late summer borders, the surrounding stems of other families will conceal most of the greenery. From now until the frosts, dahlias continue to enliven hazy autumns. They are superb cut flowers which seem to last for longer than anyone expects.

The experts tell you to cut flowers before 8am, and put them in water immediately, allowing them to absorb as much as possible before trimming and arranging them formally. When you do arrange them, cut the stems at an angle of 45 degrees at their base.

Gardening

Happiness is a favourite bloom

Robin Lane Fox visits London's Great Autumn Show

Show where the bougainvilleas take centre stage

Across the Mediterranean, there are still some bright sheets of flower on the climbing bougainvilleas which are so familiar against white-washed walls. In Britain, they will not survive outdoors, but those with conservatories or cool greenhouses are always keen to try to please them.

This week, they have been looking very handsome at the Great Autumn Show. They were staged by Westdale Nurseries, Bradford-on-Avon, near Bath, Wilts

BA15, which has made its mark as an exhibitor in its first three appearances in London.

Westdale will send out individually packed plants until the end of November at £12.50 each. The nursery is



not cheap, but includes a wide range of colours and provides an escape from the conventional shades of purple. On Westdale's London stand, I was particularly impressed by California Gold which is not too deep a colour. Jennifer Fernie and Sea Foam are excellent whites, either of which would look good if grown up in a cane in an 8in pot. The best of the yellows was Lady Mary Balfour, which is described as fast-growing and is no doubt immune to Far Eastern virus in the system.

These bougainvilleas are remarkably resistant to disease and unappealing to the standard British greenhouse pest. Mr Clarke of Westdale suggested that one or two specimens for a fast-growing Balfour would soon cover the roof of a small conservatory and cut out the need for expensive blinds.

I prefer the plants in pots where they will grow up like standard fuchsias. They respond to artificial feeding from March onwards and merely require adequate sunlight. If the leaves are dropping, the cause is probably shade. Bougainvilleas like generous watering in summer, with time to dry out between applications. From November onwards, they are best kept dry and, contrary to popular belief, do not need high temperatures. If you can just keep off winter frost at 2°C (35°F), they will be happy until early March.

When they start to send up new growth, they need a higher temperature of 8°C (45°F) evenly maintained at

a minimum throughout the night and day. Once they are up and running, they must be kept warmer than during their winter sleep.

Years ago, I looked after bougainvilleas in one of the cool glasshouses of my German botanic garden. I was seconded to the job as a punishment for talking too much while at work in the alpine garden. The bougainvilleas had a reluctant keeper, but even then, I appreciated their tolerance and their willingness to thrive with minimal attention. I have never grown them since, but Westdale revived my interest and its range of colours will tempt anyone.

Other aspects of the autumn show did more to confirm my favourites than to dispel such prejudices. Anyone on lime-free soil in the north of Britain should be sure to grow the wonderful autumn gentians, beautifully shown by Edrom Nurseries from Scotland, which made my day by showing plants of the sky blue *Gentiana lutea* in a particularly clear form.

If I could take only one Chinese alpine, this extra-

ordinary flower would still be the first choice, although the experts say that its vigour has declined in cultivation and some of the intensity of the Chinese sky has been lost in its trumpet flowers.

The rest of us are plainly being coaxed towards ever-more types of Crocosmia. Fancy yellow and scarlet forms are turning up in every exhibitor's list, whatever the status of the names.

The red Mrs Geoffrey Howard from Avon Bulbs was the best of the reds, while the favourite yellow is still Citronella. For once, those on show were no better than those amassed from friends. This family needs careful patronage by every-

one who wants a garden to continue into October. I am sure, however, that the plants grow and flower best if they are in sunshine without being too dry. Some of the best forms are living on in damp Ireland, a warning to those who assume that these South African corms want to be baked dry in a very hot place.

These autumn exhibits always repay a close examination for distinctive colours in familiar families. This year, I confirmed my belief that the darkest *Scabiosa* for sunny borders is Chilean Black, shown by Hopleys of Much Hadham which does not yet list stocks of it. Nearby, Hopleys had the

rewarding yellow-green *Euphorbia* from Nepal, named Schillingii after its discoverer. I find it easy, free-flowering and hardy. It looks impressive if you dot a few plants around the garden where they persist invaluable in flower during August and September.

As always, the stars of the show were the dahlias. The range of crimson, scarlets and yellows was overwhelmingly lovely and you could not do better than the small, deep red cactus flowers of Doris Day and the bigger dark crimson flowers of Altamira Corsair.

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FOOD AND DRINK



A LA CARTE

Eating out

What's cooking in LA?

Nicholas Lander hears about the restaurant scene from a leading food writer

Five of the best

Some of food writer S. Irene Virbila's favourites restaurants in Los Angeles:

■ Resto Ristorante, 617, S. Olive Street, (213) 627 2300, an Italian restaurant particularly renowned for spaghetti all'Amatriciana made with house-cured pork-cheek, expensive.

■ The Grill, 9560 Dayton Way, Beverly Hills, (310) 276 0615, Cindy with an old-fashioned feel - an adult for Beverly Hills. Moderately expensive.

■ Chinois on Main, 2705 Main Street, Santa Monica, (310) 392 9025, Wolfgang Puck's exciting Asian-French hybrid, to be followed later this autumn by ObaChine in Beverly Hills. Moderately expensive.

■ Campagne, 624 S La Brea Avenue, Los Angeles, (213) 938 1447, Exceptional, whether for breakfast, lunch or dinner. Moderately expensive.

■ Ginza Sushi, 218 N. Rodeo Drive, Beverly Hills, (310) 247 3839, Home to sushi master Misao Takayama, where, most of the seafood, including Aji (tuna) in season, is flown in every day from Japan. Extremely expensive. Reservation only.

■ She's today, she said, "that whatever they cook must not use too much butter, oil, salt or fat. Virtually the only soup left on restaurant menus in LA is a vegetable soup or purée for this very reason and, professionally speaking, this is a pity."

"Soup is a good stick to judge any restaurant by because I know that even if the management have recognised me the soup is made beforehand and there is nothing they can add to it to try and impress me."

To avoid recognition, Virbila operates under several aliases using a variety of credit cards.

Three years ago she worked in Berkeley - where her restaurant recommendation is Oliveto in Oakland (510) 547 5336 - but Virbila spent a lot of time cooking at home. Today, she eats out five or six nights a week, a figure far higher than any of her British counterparts.

She can visit a restaurant three or four times before reviewing it.

When I expressed my disappointment at our lunch she agreed, but added: "I have eaten here three times

Corkage

In common to their counterparts elsewhere, the majority of LA restaurateurs are happy for you to bring your own wine and pay corkage, which ranges from \$7 to \$20 with most in the \$10-15 range.

The etiquette generally is that you should not bring a bottle that is on the restaurant's wine list and that it should be a good one rather than a \$5.95 screw-top bottle.

since it opened in April and this is the least satisfactory.

"But Kang is an interesting chef, not just because he is a Chinese chef incorporating western foods - in contrast to so many western chefs currently using eastern ingredients - but because he was the first Chinese chef to take a particular interest in wine."

The wine list is fascinating for its breadth and ingenuity, offering a tasting of three different German whites or three soft, spicy reds for \$9.

The wine list also provide the information for Virbila's annual review of Los Angeles restaurants. The next, to be published in April, will be entitled LA's Best Dishes.

Shortly after we met, Virbila's column was devoted to her column was devoted to the Border Grill, Santa Monica (310) 451 1655. While lauding the restaurant for its distinguished Mexican cooking,

including a mouth-watering dish of soft-shell crab dusted with chili powder and served with a sweet corn pancake and a mango and snap pea salad, she expressed her disappointment at the kitchen's inconsistency.

Mary Sue Milliken and Susan Feniger, the chef/proprietors, were, in Virbila's opinion, spending too much time on their radio and television programmes and not enough in the kitchens - a familiar problem, sadly.

"Restaurateurs sometimes cut corners by not hiring a properly trained chef or replacing one who leaves, leaving the kitchen in charge of marginally skilled line cooks. This is fine in a grill or fast-food restaurant but it does mean your risotto or sweetbreads may not be as good as they should be."

The first is the decline in the number of big new restaurant openings, a consequence of the recession and the reduction in corporate credit card spending.

"The entertainment industry still keeps The Grill, Drai's, Morton's, Patina and

Spago busy enough but the only new big opening this year has been Yujean Kang's," he says.

"Instead, there are a lot of smaller restaurants opening in the neighbourhoods, some of which are very good."

However, she said, that while her readers will drive a long way to eat at one of the city's best restaurants they are not prepared to drive for an hour to eat at a small neighbourhood restaurant, however good.

Virbila thinks that the big problem for restaurant kitchens in the city is that of consistency. "Personnel change very quickly. Often, just after I have received a press release to say someone has opened and who is cooking, I will receive a second telling me the chef has moved on," she says.

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Champagne

Prospects are bubbly

Edmund Penning-Rowse on a new accord in the market

The story of champagne this century has largely been one of conflict between the growers and *négociants* with, for most of the time, the growers in a subservient position.Between the first and second world wars the *négociants* hard-pressed themselves in the years of deep recession, dominated the market. So when a co-operative was formed in 1927, in Mailly, on the Montagne de Reims, the cellars were dug by the *peones* of the first world war, while their families scoured the countryside for second-hand bottles.Champagne grapes have to be pressed immediately they are picked and the *négociants* secured them at very low prices. The growers have never forgotten this period. When the market changed after the second world war, and particularly in the last 30 years, to a great extent the growers called the tune. Many pointed jokes were directed by the merchants at the growers: for example, "a poor grower is one who has to clean his own Mercedes".In 1989, the *Comité Interprofessionnel du Vin de Champagne* instituted a system by which each year, in a six-year contract, a price was fixed by the presidents of both sides, and the growers agreed to provide a stated proportion of their crop in the form of grapes. However,

as trade improved, the agreed price rose and the quantity fell.

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In 1989, the *négociants* refused to sign for a promise of only 42 per cent of their production. This freed the market, and the grape price rose sharply to FFr32 per kilo plus a premium of about 8 per cent. (The champagne wine-producing area is divided into varying quality and price categories, with the top villages on the Montagne de Reims and the Côte des Blancs receiving the 100 per cent price which goes down to 80 per cent for outlying districts.)

As the recession developed in the early 1990s sales fell, particularly for those houses which kept their sparkling wines for about three years before marketing them, involving them in considerable interest charges. Those who sold at the minimum legal 12 months in bottle and bought cheaper grapes suffered less. Even today, only a handful of companies are making profits.

As a result, the trade realises that co-operation and

A factor in the minds of the Champenois is the approach of the millennium.

must show the name of the grower or co-operative which made the wine.

This agreement, worked out between the representatives of the *négociants* and growers, comes at a time when recovery is mixed.Stocks amount to 1bn bottles, approximately four years' sales. The *négociants* will claim that the yields are too small, and the growers that the grape price is too low.

However, a big factor in the minds of the Champenois is the approach of the millennium. The merchants, in particular, do not want any speculation. There is a strong view that the millennium will lead to a permanent rise in the demand for champagne, but there are others who believe that this will be limited.

Either way, consumers need not fear that there will be any shortage. They should benefit because, as in previous years, the *Comité Interprofessionnel* has steadily moved to improve the quality of champagne.

on landings. Apparently, most scallop divers would be happy to take part in such a scheme.

I ate a rough and ready meal of scallops on the boat on the way back to Kirkwall. They were nice big ones, about two to three ounces each, fried quickly and seasoned with salt and pepper - and they were wonderful speared from the pan on the tip of a plastic knife. Really good scallops do not need much done to them.

Alan Craigie runs the best restaurant in the Orkneys, the Creel in St Margaret's Hope, and he believes firmly in simple presentations for Orkney diver scallops. (He does not think the dredged variety are worth having.)

He sells them in hot olive oil and serves them with a puréed roasted red pepper sauce flavoured with dill and chervil; the deep red sauce makes a vibrant contrast to the bright orange scallops. He also uses them in an Orcadian fish stew, with the best available assortment of fresh-caught Orkney fish.

In the three of them, they can usually count on collecting 200 kilos of scallops a day. At \$2 a kilo, this gives \$400 for the day's dive. During the winter, when demand is greater, the price will rise to around \$3 a kilo. But after overheads they expect to make about \$100 a day. Manson and Elder sell their scallops to the Orkney Fisherman's Society, although Orkney Salmon, Orkney Seafaris and North Isles Shellfish also deal in divers' scallops.

In July and August, scallops are spawning so Man-



Scallops in champagne but some prefer a simpler style Anthony Elms

Where all the best scallops lurk

George Dorgan enjoys the plumpest and freshest Orkney molluscs

those who gather them.

There are only about 30 professional, full-time scallop divers in Orkney. And I went out with Dave Manson and Andy Elder, who own their boat, Aurora, and have 17 years of scallop diving

experience between them.

Their third man, Toby Flint, has a masters degree in marine resource management from Heriot-Watt University and has been diving for "clams" (in scallop-diver jargon) for six months. He is quick to point out that there is no substitute for experience.

In the same breath that these men talk about swimming with seals and dolphins, they also talk about coming up in a school of sharks or killer whales. They are remarkably casual about their brushes with danger.

However, diving is much more environmentally friendly than dredging which ploughs the sea bed. Dredging rotovators leave swathes several metres wide and take everything in their path - living coral, bottom-dwelling fish as well as immature scallops.

Dredged scallops do not taste as good either. They hang around for a couple of hours in the rotovator before being brought up, which often breaks the shells, stresses the scallops, toughens the meat and changes the colour to a light brown. It also leaves fine grit embedded in the adductor muscle, the part which we eat.

Orkney diver scallops are recognised as among the world's best and are eagerly sought in Japan, Switzerland, Belgium and France. The cold, nutrient-rich water makes them grow slowly and flavourfully. The strong currents around the Orkneys makes the adductor muscles work hard. Consequently, Orkney scallops can be twice the size of others. They have a lot of underwater currents, which can make diving difficult. And in their particular patch the sea bed is about 100ft down, limiting diving to three 20-minute dives with 1½ hours in between.

Every diver knows that scallops are found around skerries - rocky outcrops from the sea floor that can be above or below the water

apples to farmed Orkney salmon, which are firmer and firmer and have half the fat content of some west coast Scottish salmon.

The divers go out whenever they can, usually about 120 to 150 days a year. Most Orkney divers know the places that are worth diving, and Manson and Elder have been diving in the same area for some time. Their area has a lot of underwater currents, which can make diving difficult. And in their particular patch the sea bed is about 100ft down, limiting diving to three 20-minute dives with 1½ hours in between.

At the start of a day's dive

son and Elder do not dive. The scallops lose condition than, but more important, the divers do not want stocks to dwindle, so they declare their own closed season.

Research into scallop breeding has not yet yielded the results that oyster breeding has achieved. It is easy enough to get them to spawn: the problem is getting the temperature and nutrient balance right to induce the free-floating scallops to settle.

North Isles Shellfish has been able to produce 1 inch lobsters for restocking. Last year it produced 8,000 at 40p each (bearing a government research programme which produced lobsters at a commercially unrealistic price of \$2.50 each) and it is hoping to reduce this to 30p when it starts producing on a larger scale. The hope is to fund this restocking with a levy.

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Lunch and dinner have been delectable experiences ever since the Prince of Wales was entertained there by Lillie Langtry in the 1890s. Three course lunch in The Cadogan's rather private restaurant is £16.90 (£17.90 on Sunday includes a half-bottle of wine). Dinner is from £23.90.

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BOOKS

Shakespeare – as you like it

The First Folio liberates the Bard from bullying notes and codpieces, rejoices Nigel Spivey

The Bible – and Shakespeare. Neither the church nor the theatre operates an exclusive zone on their respective territories. The BBC Radio Four classic exercise of imaginatively dumping a celebrity on a desert island automatically assumes that both will be needed, at least for spiritual survival. They are the indispensable literary baggage of the bourgeois soul (Who knows when they will be called upon in order to complete a crossword?) But if one is the word of God, what is the other?

Most of us are undecided whether to salute or blame the system whereby the Shakespeare phenomenon is first tossed towards us as a high school text. Those ragged, ink-tickled editions – always game palimpsests for the boys in the back row – whose copious footnotes glossed (so it seemed) every other word of an alien language.

Were we really made to take parts at our desks, simply reading it aloud? No wonder the deliberate mispronunciations ("knobble" for "noble", "hoho"), the sniggers at every conceivable *double entendre*, the outright guffaws as the class panics was given fair Juliet's part. And how was it that in order to clinch exam success, one had to invest in a stripey paperback crib which served the dullest form of reduction – predicting questions about the text, and supplying rote answers?

Coriolanus, then, suffered: suffered considerably worse than Job or Isaiah. And redeeming the contempt into which Shakespeare must fall when impressed on the curriculum is not easy. Those reared in single-sex schools may have cause to thank him, since most drama teachers have given up on transvestism, and the Bard offers a rare chance for liaison on the boards. Jollies to Stratford help. But having

graduated from all that, most bourgeois souls will be content with a copy of the *Collected Works* ensconced behind a glass-fronted bookcase. There it sits, until seven down demands to know the name of Falstaff's mistress.

Decades ago (from 1923), the Bodley Head published a series of "Quarto" texts of individual Elizabethan and Jacobean works, including some Shakespeare plays. They were fine for line, with no clutter of annotation, in original spelling ("hee" for "he").

The text, shorn of all scholarly apparatus, reveals and heightens the quality of Shakespeare's poetry

"he", and so on); and small enough to slip in a pocket or handbag.

Of course there was an academic purpose to these series: there is nothing Shakespearean scholars like better than a tussle over "foul papers", when not a single autographed manuscript survives. But I see from my variously collected copies of the Bodley Head that they were working from the author's own papers (in which "hee" never blotted out a line). Let us assume that this First Folio is the basis of the Shakespearean "canon". Apart from the awe of the access to a bygone typeface, what do we get from the book?

The answer may seem paradoxical. The First Folio, shorn of all subsequent scholarly apparatus, reveals and heightens the quality of Shakespeare's poetry. This is

Shakespeare's 1623 First Folio is an event to salute. The publishers, W. W. Norton, have printed 3,500 copies, most of which will probably be summoned by libraries. But despite the heft (820 pages) and the price (£100) of the book, it should not go unnoticed by us bourgeois souls.

"From the most able, to him that can but spell... the fate of all Books depends upon your capacities; and not of your heads alone, but of your purses." The ostensible editors of the First Folio, John Heminge and Henry Condell, thus enjoined "the great Variety of Readers" to share in the Shakespeare experience.

It was a hard sell, trading on a posthumous cult quickly consolidating (though some argue that if Shakespeare died in 1616, he should have been trumpeted immediately). Ben Jonson added his dedicatory pitch on behalf of a one-time rival and companion – "Shine forth, thou Starre of Poets" – whose prolific capacity followed in the 35 comedies, histories and tragedies "published according to the True Original Copies."

The Norton Facsimile is a collation, established by Charlton Hinman on the basis of the 80-odd copies of the First Folio held at the Folger Shakespeare Library in Washington. Here is not the place to skirmish over the paleographic technicalities of Hinman's method, nor indeed the claims made by Heminge and Condell that they were working from the author's own papers (in which "hee" never blotted out a line). Let us assume that this First Folio is the basis of the Shakespearean "canon". Apart from the awe of the access to a bygone typeface, what do we get from the book?

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A classic interpretation of 'Romeo and Juliet': Norton's First Folio facsimile leaves the text unadorned

and Condell), with the declaration that all of them took part "in all these Plays". Imagine it from the comic simplicity of *Two Gentlemen of Verona*, to the stately rhetoric of *Cymbeline*, each actor must have had Shakespeare's poetry as if it were "a pulse in the guts".

So it is both a reader's and a player's book. Glancing

comparison with the collected works of, say, G.B. Shaw, will indicate how liberating the absence of bullying authorial instructions must be. Naturally: for in Shakespeare's case the author was also an actor, and knew that any play-script is devoid of proprietorial rights.

And so it is that this First Folio, whilst plump

with archaic charm, is at the same time a stern rebuke to those many pretenders taking the "I don't go to modern productions because of the liberties they take" line. Nowhere in the First Folio is it decreed that buskins and codpieces shall be worn. This is *Liberation Shakespeare*: ours to glory in, and do with as we like it.

reverse, for Quammen, refreshingly, is not an optimist. He could be a wrong-headed pessimist, of course, but I, for one, am thoroughly fed up with cock-eyed optimists.

For his last chapter he visits Aru, a hard-to-reach group of islands off the south-west coast of New Guinea, where he is taken to see a treeful of squawking birds of paradise.

The dire things that have happened elsewhere – massive habitat destruction, ecosystem decay, extinctions – have not yet happened in Aru. "Probably they soon will. Meanwhile, though, there's still time. If time is hope, there's still hope." But he offers very little of it.

Assuming that man himself becomes extinct, says Quammen, the sparrows, cockroaches, rats and dandlings that survive us should eventually give rise to a new inflorescence of diverse species. Eventually, visitors from a distant planet may study the evidence and wonder what happened on Earth to cause vast losses of species at six points in time. Perhaps they will find an answer. Or perhaps, like us, they won't.

shaping public opinion.

Successful soldiers, and for that matter the leaders of large businesses, learn that lesson and use it to their advantage. There was an example close by. General "Stormin" Norman Schwarzkopf's theatrical performances at Gulf war press conferences helped maintain support for the campaign in the US. Brigadier Cordingley would have been better employed spending the last five years learning from the general's example instead of polishing old grudges.

Bernard Gray

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FT BOOKSHOP

Thriller Spot the rogue traders

A curious party game has become popular among some in Tokyo's financial community. The rule is simple: see if you can spot your enemies, or better still, friends, disguised in the pages of Peter Tasker's new financial thriller, *Buddha Kiss*.

Tasker is better known to readers of this newspaper as Dresdner Kleinwort Benson's financial strategist in Tokyo and Japan's top-rated analyst for the past four years. DKB clients will be tickled to read his latest book, which very entertainingly reflects some of those who prowl Tokyo's highways and byways. It is enormous fun, as well as – or so it seems authentic.

Archetypes from the *Buddha Kiss* underworld include a rogue trader, a disturbingly well-connected bar hostess who does exquisite things with a soapy flannel; and a diabolical religious cult, whose leader sees to take over Japan with the help of mind bending drugs.

BUDDHA KISS
by Peter Tasker
Orion £16.99, 394 pages

It comes with uncannily good timing, so soon after the mystical cult Aum Shinrikyo's gas attack on the Tokyo subway last year and the shaming of Daiwa Bank and Sumitomo Corporation by their own rogue traders. But then timing, presumably, is what DKB pays Tasker to be good at.

The other characters, too, are familiar. The hero, young Yorkshireman Richard Mitchell, is a former despatch rider who has come to Tokyo to make his first million as a securities analyst. His type is easily spotted in the less smart Roppongi watering holes, at least before their millions are made.

Mitchell's Japanese boss is a rarer but still recognisable beast: the dotty Terumasa Yazawa, a rogue trader who believes that the secret to investment success is to "listen to the cry of the reptile within you" and who dares his young colleague to eat a surfest of lethally poisonous blowfish. "Do like James Bond!" Yazawa orders Mitchell, as he applies all means fair and foul – mostly foul – to coerce the reluctant junior analyst into taking up the share price of a dodgy trading company. You have to go to the really posh bars to find the Yaza.

To give away much more about what brings together the trading company, the cult and the securities industry would spoil the story. Suffice it to say, it all begins with an earthquake in a Love Hotel, proceeds with the discovery of a murdered cult follower in a bath, and ends with a word of investment advice from Yazawa, gone into hiding in Canada: "What is isn't. What isn't is," he writes. Some Japanese equity analysts might agree, but not care to admit it.

There is another, semi-serious, theme. Being so familiar, the Japan in *Buddha Kiss* is a real reminder of the strains building up in what remains one of the world's most conformist cultures. Nothing is as it seems, reflects Mitchell as he tries to understand the colossal financial fraud into which he has been drawn. The same could be said for Japanese society.

Anyone who liked *Silent Thunder*, Tasker's first thriller, published three years ago – plot shadowy figures who run Japan behind the scenes try to take control of the world financial system – will relish this one.

William Dawkins

Man is making dodos of us all

Michael Thompson-Noel explains the current rash of mass extinctions

No one knows what caused the mass extinctions of species that have punctuated the history of life on Earth, writes David Quammen towards the end of this impressive and deeply moving book, which blends first-rate science journalism with superb travel and nature writing.

The competing explanations for mass extinctions of the past, says Quammen, range from gradual changes in climate to a "so-far-undetected Death Star that orbits mutually with our sun, exerting cosmic gravitational drag and pulling a shitstorm of killer asteroids through the vicinity of Earth every 26 years".

Mass extinctions of the first magnitude occurred at five points in Earth's distant history, each caused by circumstances among which mankind, who was not on the scene, cannot be counted. But the sixth big extinction is a radically different one. It is happening now.

It started a few thousand years ago, says Quammen, when Neolithic humans started venturing across the seas in open boats, colonising

ing remote islands. At once, these human invaders killed off some of the endemic bird species they found, many of which were large, flightless and ecologically naive.

From the time of the Neolithic voyages until the present, 20 per cent of the world's bird species have been pushed into extinction. In recent centuries, what Quammen calls the "range of jeopardy" has widened – from birds to animals and plants of all kinds, and from islands to continents – as man's impact has spread in direct correlation with the growth of human population, technology and hubris.

"Nowadays," writes Quammen, "it's not just a question of dodos and elephant birds and moas. Nowadays we're losing a little of everything. Within a few decades, if present trends continue, we'll be losing a lot of everything."

The present wave of extinctions has been well addressed by other writers.

extinction of species in a world that has been hacked into pieces."

Quammen's travels take him far and wide, to Komodo, for example, to investigate the status of the so-called komodo dragon – actually a giant monitor lizard – that lives on Komodo, Flores and a few other tiny

islands of central Indonesia. Originally, it is thought, komodo preyed on two species of miniature elephant. Now they live chiefly on deer and wild boar, although some, ironically – about 3,600 are thought to survive – are fed on sacrificial goat to entertain tourists.

It is a pity that modern eco-tourism did not arrive in time to save the Tasmanian tiger, or thylacine – in reality, a sleek, striped, elusive,

nocturnal and prognathous marsupial predator. Its population was never large, but it was doomed from the moment it learned to kill the colonists' sheep. Bounty hunting of the thylacine started in 1830.

In July 1986, two months before the last known individual died, Tasmania's state government declared *Thylacines cynocephalus* a protected species. There were reports of sightings until well into the 1980s. Like so much of this book, Quammen's description of his trip into the Tasmanian bush to look for the thylacine is beautifully written and wrenchingly sad. Perhaps a small number of thylacines survived into the 1950s or 1960s. But, almost certainly, they are now gone for ever.

Quammen also visits Mauritius, where the last credible eye-witness account of living dodos dates from 1662. The power of Quammen's writing is epitomised by the

way he invites us to imagine the last dodo.

Imagine her, says Quammen, as a 30- or 35-year-old female, bulky, befuddled and going blind. Perhaps she had escaped the hunters for several years by sheltering in a gorge. Her last hatchling had been eaten by a feral pig. Her last fertile egg had been eaten by a monkey. Her mate was dead, of course, clubbed by a Dutch sailor.

In the dark of an early morning in 1667, say, during a rainstorm, she took cover beneath a cold stone ledge at the base of one of the Black River cliffs. She drew her head down against her body, clutched her feathers for warmth, squinted in patient misery. She waited. She didn't know it, nor did any one else, but she was the only dodo on Earth. When the storm passed, she never opened her eyes. *That is extinction.*

There is nothing especially upbeat about *The Song of the Dodo*. Quite the

reverse, for Quammen, refreshingly, is not an optimist. He could be a wrong-headed pessimist, of course, but I, for one, am thoroughly fed up with cock-eyed optimists.

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Onstensibly, *In The Eye Of The Storm* is a diary of the Desert Rats at war in the Gulf; in fact a good proportion of the book is a tale of one soldier's struggle with his bosses, his jealousies and the media.

Brigadier Cordingley, as he was at the time of the Gulf War in 1991, is according to those who have worked with him, a thoroughly good egg. However, the picture which emerges in his book is of someone struggling to keep his irritations under control.

In The Eye Of The Storm is peppered with snide side-swipes: at the Royal Air Force, whose airmen were

The press put in the line of fire

whether "commanders" can be ruthless enough, in a television age, to pursue the enemy to the limit."

All of these irritations may be excused as the contemporary account of a commander's feelings. Yet over five years after the end of the Gulf war, the complaints look niggling and misplaced: it is Cordingley's maturity to which his sarcasm is roused by "our friends in the media", who Cordingley thinks hung around too much, trivialised the issues and got in the way of military men doing their job. The brigadier muses over

the occasion more or less perfectly. John Keegan, the highly-respected defence editor of the Daily Telegraph, said of the Desert Rats: "the military resolve of the troops is total. If I were Saddam I would leave Kuwait today."

IN THE EYE OF THE STORM: COMMANDING THE DESERT RATS IN THE GULF WAR
by Major General Patrick Cordingley
Hodder & Stoughton £18.99, 288 pages

for the most part had to provide specialist analysis of the crisis from London, were flown to the desert to meet the brigadier during the build-up to war. The reporters who were there, such as David Fairbairn of The Guardian and Peter Almond of the Telegraph are thoughtful and experienced defence writers, a far cry from the baying press pack which Cordingley implies he faced.

In response to questions the brigadier said that with two such large armies facing each other, there were bound to be high casualties, but that he hoped most would fall on the Iraqi side. The reports which appeared the next day were prominent, but were not sensationalist and accurately reflected what the brigadier admits he said. The roof fell in because Tom King, then defence secretary, started issuing thunderbolts from the MoD about the reports, some of which evidently struck Cordingley, and which, equally clearly,

are still smarting. But what can an army general seriously expect if he stands up at a press conference and says that a lot of people are going to be killed in a war? It may have been little more than a bald statement of the truth, but it was breathtakingly naive.

In his attitude to the press Patrick Cordingley differs little from many other brigadiers and colonels. Officers at that level stand at a watershed in their careers: up to that point their focus has been on becoming successful soldiers, beyond that more and more of their time is spent in the black arts of politics and the media.

Many officers, unskilled in these dark secrets, tend to regard the media as a bolt-on nuisance, which they can deal with when they have finished their "real" job. In fact, maintaining public support is vital to any western officer who wants to achieve a military objective, and the media are powerful forces in

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BOOKS

Balliol boy who went to the bad

J.D.F. Jones has little time for an arrogant, greedy dope smuggler

Balliol men are notoriously supposed to exhibit an "effortless sense of superiority". Howard Marks runs true to that arrogant tradition: after a long career as Britain's biggest dope smuggler he insists that he never touched hard drugs, his cheerful and unrepentant account of his life seems to imply that his old college might be proud of him.

He would be wrong.

Marks was a Welsh boy who made it to Oxford in time for the dramas of the mid-1960s. He discovered the pleasures of cannabis, and then he realised that there was big money to be made out of "supplying a badly needed service". He explains, with a *faux naïveté* unworthy of Balliol, that he "couldn't begin to condone the punishing of those who wished to smoke marijuana and, therefore, could not logically condone the

illegality of the hashish trade...". So he became a very successful smuggler, and made, and spent, a great deal of money. Eventually, many years later, he was nailed down by the US Drug Enforcement Administration and spent seven years in American jails.

Mr. Nice is his own story of those years of high-living and round-the-world adventure and misdemeanour, starting with a connection with crooked Pakistani diplomats, continuing with a long and profitable link with renegade IRA elements and including a very brief flirtation with MI6 which was later to make Marks a popular figure in

the tabloid press. After six years on the run, without any great anguish, and after a prison spell in the early 1980s, the focus switches to the Far East. There are three particular villains in Marks's account: Special Agent Craig Lovato of the DEA, who did his job, Lord Moynihan, the (late) renegade peer, who shoppped him, and his colleague and brother-in-law Patrick, who filled in the details for the police.

Marks admits it all, without any apparent shred of remorse, and tells the story of these years in extreme detail. Nothing is left out, it seems, from the sexual experiments of childhood to the bewildering flight schedules of

the Near and Far East in the 1970s. Presumably he is re-inventing much of this, not least the dialogue of encounters 25 years old: unless he enjoys total recall, which after a lifetime of daily

Beaver knows how much of this we are to believe. There is a great deal of indiscretions name-dropping which the lawyers must have allowed — the Goldsmith brothers, Christopher Hill, Llyall Watson, the O'Hanlons and the trendy Anna Bellinda dress shop in Oxford, funded with drugs money. How much of this is accurate? The description of his Oxford contemporaries Chris Patten (Hong Kong) and "Rick" Lambert (our sainted editor) as "heavy drinkers" manifestly betrays that much of this is fantasy!

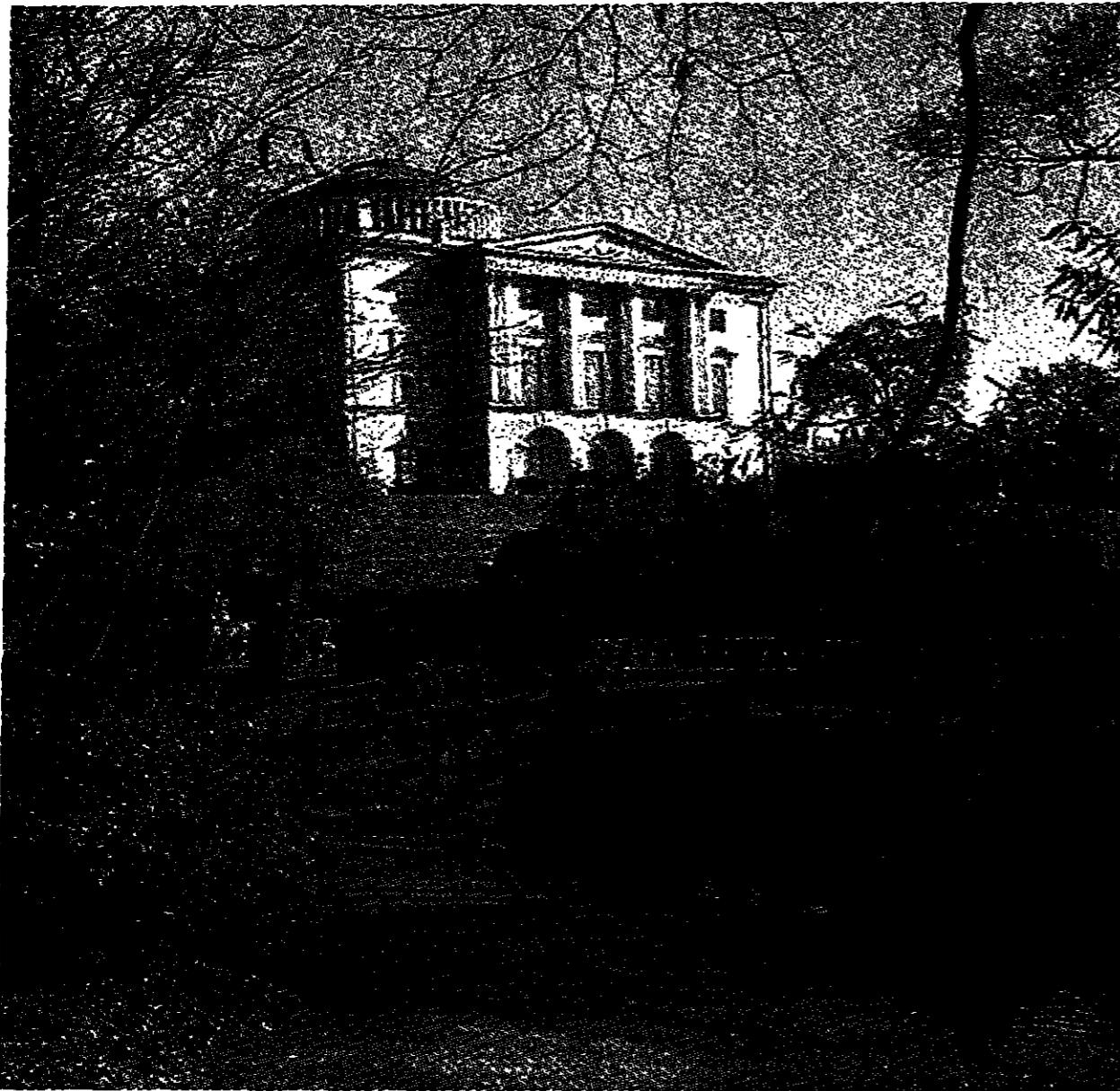
The more serious point is that Marks appears happily oblivious of the deeper issues which are

raised by his smuggling career. "We weren't the Mafia. We weren't the IRA. We weren't even Robin Hood and his Merry Men. We were just a bunch of easy-going guys who took the easy way out when the rest of the world went mad and ruthless..." Simple, isn't it! Very rarely, a truer motivation appears. "The fame I'd longed for ever since I was a Welsh swot in school was now well and truly mine. I loved it." (At this point his wife is in jail and cracking up, and his parents have sold their retirement home to pay for his defence.)

But there is an even simpler motivation, and the American

prosecuting attorney spotted it: "He has completely self-destructed and was probably motivated by his greed...". To which the judge added, in sentencing Marks to 25 years, "You have been quite willing to ignore, or studiously violate, the laws of many countries. You have demonstrated that you have little respect for the laws of society as expressed by criminal laws which do not conform to what you believe to be acceptable conduct." There it is: Howard Marks was greedy. Even simpler.

Mr. Nice confirms that Marks must have traded on a gift of extraordinary charm, and remains proud of it. The publisher's quote on the jacket gives the game away. "You'll like him". Will we? Why should we? As another Balliol Welshman, (though a non-smoker), I invoke the right to say that he sounds to me like an absolute shit.



The Palace and the Centaur Bridge at Pavlovsk, one of the imperial summer residences built by Charles Cameron for Catherine the Great

The theme parks of Tsarist Russia

Colin Amery admires the work of the Scottish architect summoned by Catherine the Great to St Petersburg

We know that the Empress of all the Russias, Catherine the Great was a woman of formidable energy and taste. Her love of beauty extended to each of her hand-picked male favourites as well as to her palaces and possessions. Her tough and imperious character enabled her to dispose of her husband, assume his throne and create her own world in and around St Petersburg.

It is at Tsarkoye Selo and Pavlovsk, the Imperial summer residences, that the Empress used the services of Charles Cameron — a Scottish architect and scholar of antiquity who from 1779 became one of the court architects of Russia.

There has long been a need for a book to tell the extraordinary story of Charles Cameron (1745-1812), the son of a Scottish builder and carpenter based in London. He had worked with the architect Isaac Ware, although he had built nothing in England to his own design. But in 1768 Cameron went to Rome to measure and draw the baths and ancient ruins, and the publication of his archeological

researches in 1772 became a text book of neo-classical ornament and design.

There was great interest at the court of Catherine the Great in the cultural life of England and her spies had heard of the young Scot's activities in Rome. The royal summons to Cameron came because the Empress wanted to build for herself a Roman world at Tsarkoye Selo (she even threatened to put her couriers in Roman dress).

It is hard for us to see the 18th-century mind saw it. We travel on jets, look at rain forests and jungles on television and see the treasures of the earth in great exhibitions. Travellers in the 18th century were few and the word and the image was spread slowly by book, letter and print.

Artists tried to capture exotic subjects, but only a monarch as rich as Catherine the Great could afford to bring the wonders of the world to her own realms.

Her summer palaces were highly civilised theme parks, and any visitor entering Tsarkoye Selo ("Tsar's village") would have passed through Egyptian gates, circled a Chinese village and progressed through ancient

Rome to be met by the Empress in rooms lined with silver or agate and sprinkled with precious stones.

Dimitri Shvidkovsky writes evocatively about Catherine's world, but as an architectural historian he is naturally interested in the

THE EMPRESS AND THE ARCHITECT: BRITISH ARCHITECTURE AND GARDENS AT THE COURT OF CATHERINE THE GREAT
by Dimitri Shvidkovsky
Yale University Press £29.95.
282 pages

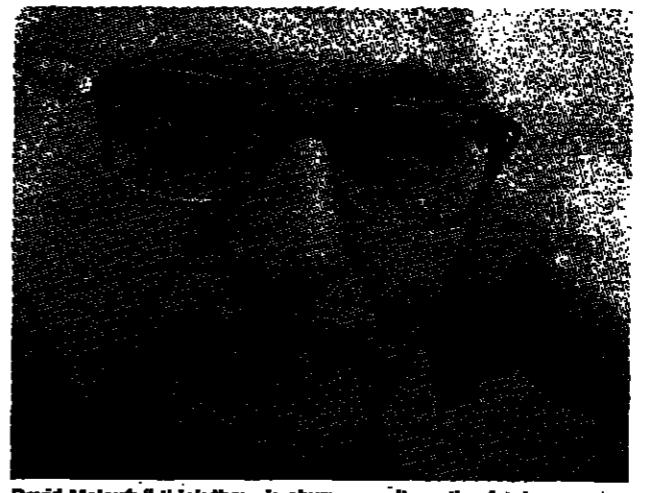
sources and influences upon Cameron. From the fine range of illustrations from Russian archives Cameron was clearly ahead of the neoclassical game.

With Catherine's resources, he had opportunities denied to the Adam brothers and his other contemporaries who were confined to the British Isles. He also had teams of English, Scottish and Italian assistants, living in little colonies

in Russia. Shvidkovsky writes well of Cameron's daily life in his wing of the orangery at Tsarkoye Selo. Cameron married the daughter of Joseph Bush — a cockney nurseryman who had come to Russia from Hackney and taken on the responsibility for designing Catherine's gardens.

I wanted to know more about the close relationships which all the exiles had with the Empress. I suspect not much is known, so inevitably this book has much speculative, stylistic analysis. The chapters on Orientalism in Russia and Russian neo-Gothic have their longueurs, but the weight of architectural scholarship is gloriously redeemed by the illustrations.

Cameron was a genius, the Empress was a visionary and together they made some of the most beautiful places in the world. To walk today on Cameron's colonnade at Tsarkoye Selo is still a powerful and enchanting experience. Enriched by this book the reader is left wanting to know much more about what actually went on in these sumptuous palaces. For that we need Catherine the Great's diary.



David Malouf: "I think there is always an alternative fate"

that while many of the bushrangers and potential rebels were Irish, so mostly were the police force".

There is something of a recent trend in Australian writing — Thomas Keneally amongst others has set a work in the same period — to create a fictional Australian history, "to get below the facts of what happened", says Malouf. But while his last two novels have used Australian history and landscape, they essentially deal with material too ambiguous and universal to be pinned down to national concerns.

The Conversations at Curlew Creek loops back to Ireland where events and personalities from Adair's childhood increasingly inform his relationship with Curley. As the two men probe, ultimately inconclusively, the mechanisms that brought them to this cold hut, and why one of them is to die and one of them is to kill, the happenstance of their lives is marshalled into meaning.

Under the weight of such expectations, *Eureka Street* can only be deemed a resounding failure. Which is a pity, because it is quite an accomplished piece of work. A relatively plot-free affair, it follows the fortunes of an assorted group of young Belfast lads: the Catholic hardman Jake who has a pretentious talent for scolding his own romances, the artless Chuckie, a Protestant working-class boy on the make; Roche, a lip service urchin, and innumerable others. Many of the novel's set pieces are uproariously funny, particularly Chuckie's sex-toy scam in which refund cheques are stamped with the legend "Giant Dildo Refund" in the hope that recipients will be too embarrassed to cash them.

Ultimately though, *Eureka Street* amounts to no more than a diverting comedy, closer to a Belfast *Bridget Jones* than to Joyce. If Wilson would just abandon his wilful use of off-key metaphor and stop believing he is a genius, he might be considered, to adapt one of his own coinages, an unbad novelist.

Eureka Street, Robert McLiam Wilson, Secker & Warburg £15.99, 355 pages

A touch of the Irish

of a man who was struck dumb after an amorous encounter with a satanic fox.

As with the best of Deane's poetry, such personal, anecdotal details bloom furiously into cold, brutal politics. The contrite murderer turns out to be the protagonist's grandfather, an IRA officer who ordered the execution of the boy's "informant" uncle. And the mute, now enshrined in apocryphal local superstition, is revealed to be the uncle's executioner, unable to speak again after his deed.

As the Troubles begin to flare up again in 1988, we find the protagonist's aged mother, speechless after a stroke, preparing to take her last breaths to the grave.

Reading in the Dark is essentially the chronicle of a post-war Derry childhood, told within a time-frame closely mirroring the author's own. Short, staccato chapters dance between formative adolescent events and gags of local lore: a priest's cautionary tale of a penitent murderer, the story

of storing reservoirs of pain. But it is the sheer, exhilarating force of Deane's story-telling — a rare quality in the poet turned novelist — that ultimately gives the book its inexorable power.

Emblazoned on the cover

READING IN THE DARK
by Seamus Deane
Cape £13.99, 233 pages

EUREKA STREET
by Robert McLiam Wilson
Secker & Warburg £15.99, 355 pages

of *Eureka Street*, Robert McLiam Wilson's new work, is a brash subtitle proclaiming it "a novel of Ireland like no other". But what might seem like an unforgivable conceit is actually a climbdown from Wilson's earlier claims that it would be "the Belfast *Odyssey*".

John O'Mahony

Fictional trips through Australia, America and Ireland

A night in the outback

Nicholas Wroe talks to David Malouf about his latest work

David Malouf sits at his desk, fountain pen in hand, surrounded by books. The very essence of the distinguished man of letters at work? Party. He is certainly both distinguished and working, but when we met at his publisher's office last week the neatly studious Malouf was surrounded by 500 copies of the same book: his latest novel, *The Conversations at Curlew Creek*. As he worked his way through the huge piles I asked whether he enjoyed the giddy world of modern book promotion. "No", he unsmilingly replied, citing another 300 he had to sign four days later when he returned to his native Australia, but he does it all the same.

This reluctant professional is curiously refreshing. While Malouf is quietly co-operative, there is an underlying no-nonsense rigour to his demeanour which makes it clear that the books come first and talking about them comes a distant

fourth or fifth. And why not? Now in his sixties he is regularly honoured as a writer of international stature. His books not only speak for themselves, they shout, and in May he picked up the world's largest literary prize for a single work, the £100,000 IMPAC Award, for his novel *Remembering Babylon*.

Like *Remembering Babylon* (which amongst all the praise also sustained a memorably ferocious attack from fellow Australian Germaine Greer live on BBC television) *The Conversations at Curlew Creek* is set in the 19th-century Australian outback. Malouf's original idea for "two men in a hut at the end of nowhere, in some unspecified time, talking for

last things, could have worked as a play", he explains, "but fiction demands what Nabokov calls 'lovely irrelevant detail', and so you have to have a particular place at a particular time."

"There's something in all my books relating to the accidental nature of what happens to people", says Malouf. "I think there is always an alternative fate, a ghost fate, which remains there even after it has been rejected." "Another road", as Frost would say, "not taken". These other roads are never entirely closed off in *The Conversations at Curlew Creek*. There is no definitive statement of the bond between the two men and the book is the stronger for

it. By the end, Malouf's precise, pared down prose would make anything less than ambiguity appear crudely incredible.

Also a poet and librettist, Malouf is absorbed by the way the "discipline of language shapes what is actually said. It leads to daring and surprising discoveries", he says. Although himself of Lebanese and Sephardic Jewish extraction, he contends that it is this linguistic, rather than class or racial, influence that most heavily shapes the culture.

"At the last we all come home to our various forms of English. It's not a popular thing to say in Australia, but when people ask me who is the greatest Australian writer, I say Shakespeare.

Malouf now inhabits a similar position in Australian writing as that previously held by Patrick White.

The addition of *The Conversations at Curlew Creek*, a wonderful novel, even better than *Remembering Babylon*, makes for a formidably impressive body of work. He

speaks. There's a bit of embarrassment about that because a quarter of our population were born outside of that culture. But the one thing that holds the nation together is the language. They are going to have to inherit the language if they want to inherit the culture and if we don't give that fully to people, as quickly as possible, we are depriving them of power in our society".

Malouf now inhabits a similar position in Australian writing as that previously held by Patrick White. The addition of *The Conversations at Curlew Creek*, a wonderful novel, even better than *Remembering Babylon*, makes for a formidably impressive body of work. He

Brave new utopias lost

entured as intrinsically virtuous, living in a state of Rousseau's natural grace.

Mistaking native Indian Houbyns for Yahoos, Catholic libertarians for libertines, and generally inventing the natural world into a godless society, Milton — in his actual and metaphysical blindness — inevitably recreates precisely the conditions of the Puritan and Catholic England he has fled. Milton himself, in his greatness and gullibility, is re-invented by Ackroyd as a tremendous, humourous comic character.

His sober-sided, dour, priggish despair, his rigorous religious morality, sympathetic at first, becomes monstrously farcical.

Moral redemption is offered to Milton when he breaks a leg, finds himself isolated from his own people, is succoured by a tribe of Indians and experiences a form of hallucinatory, drug-induced vision of Paradise. Miraculously, he recovers

when he rejects his paridiscal vision. Paradise lost, he returns to the moral, religious fray he has incited.

Back to the future. J.G. Ballard's *Cocaine Nights* is a lewd, somewhat alarmist warning against the spread of self-contained, self-sufficient enclaves constructed by the rich as redoubts against the rest of humanity. The Club Nautico, the Spanish resort of Estrella de Mar, is a luxury residential development near Marbella. This is Stepperton-on-Sea, an idyllic community of European expatriates. British mostly, who have

Iain Finlayson

disturbing, somewhat alarmist warning against the spread of self-contained, self-sufficient enclaves constructed by the rich as redoubts against the rest of humanity. The Club Nautico, the Spanish resort of Estrella de Mar, is a luxury residential development near Marbella. This is Stepperton-on-Sea, an idyllic community of European expatriates. British mostly, who have

ARTS

Are these two people conversing, or are they locked into twin soliloquies? That people can talk to each other without communicating is part of what the theatre of Harold Pinter has long expressed.

Among contemporary artists in any genre, only the choreographer Merce Cunningham has this same marvellous skill: to show two people in co-existence, sometimes responding to each other, often resisting each other's approaches, and each actually so independent of the other that at several points they ignore each other. Watching and listening, we feel the inalienable privacy of the one whose space is being invaded, or whose liberty is being threatened, or whose past is being investigated – and, at the same time, we feel the loneliness (and the need) of the one who threatens, or approaches, or seeks.

In *Ashes to Ashes*, Pinter's latest play, he carries this ambiguity to virtuoso heights. I write, both confused and excited, in the two hours that follow its world premiere, given by the Royal Court, as it commences its new residence at the Ambassadors Theatre.

Although the play has been published (by Faber) and although no contemporary dramatist is more rewarding to read than Pinter, it is best to encounter this play for the first time in the theatre, and to feel the unique concentration with which Pinter handles language, and silence, and people, and the space between them.

It is witty, poignant, and mysterious, all to a very high degree. On first acquaintance, its female role seems among the most remarkable he has ever written; it seems to be his finest work for at least 14 years; and it contains a high number of masterstrokes.

Man and woman – Devlin and Rebecca – in a single scene unbeknown save by pauses, talk; and that is all. Pinter has made this minature on what Jane Austen called her "two inches of ivory"; and at times the domestic tensions between his couple are as deadly as if scripted by Ivy Compton-Burnett.

Less than an hour long, *Ashes to Ashes* has more drama every five minutes than most playwrights ever learn. I am impatient now to read it and then to revisit it in performance. Many said last year, and again earlier this year, that David Hare's latest play, *Skylight*, showed how a personal drama about two people can in fact be a drama about politics. That is true again, far more subtly and profoundly, of *Ashes to Ashes*: just how much so only becomes fully apparent in the last few breathtaking minutes.

Much will be said, as always



Stephen Rae and Lindsey Duncan in Harold Pinter's 'Ashes to Ashes'

Sophocles – in style

In what style do you stage a Greek tragedy these days? Naturalistic treatment is virtually impossible, because of – among other reasons – the several choral odes in each play. Style, therefore, must be evident, and must be carefully determined; but what style?

Peter Hall's National Theatre staging of Sophocles's two extant *Oedipus* plays – new in late August in *Epidaurus*, and reviewed by David Murray then – is among the best large-theatre accounts of Greek drama that I have seen, but it is also the most style-laden. Style comes in several layers. Masks are worn by all the players. Even when one actor is addressing another, their heads and bodies remain facing the front. The choral players employ small amounts of gesture, dance, song, and tableaux – although the main choral odes are delivered chiefly in speech. Not only is Ranjit Bolt's English translation in rhyming couplets – though the choral odes are more varied rhyme – but Hall has also encouraged his actors to end-stop their lines very emphatically. The actors' vocal style, though often quiet, is marked, in most cases, by emphatic vibrato, and by other quasi-musical *contenuto* devices.

Some of this is maddening, and some of it is excellent. But to be noted, its emphasis is either pre-classical or post-modern. The language of Sophocles, however, is composed with much the same kind of classicism that we admire in the Parthenon in Praxiteles, and indeed in *Lokomos*. Dionysis Fotopoulos's masks – ancient and modern at the same time, placing a box-like resonance around each actor's voice – and costumes work very beautifully, at once deleting and intensifying the individuality of each player.

A.M.

At the Olivier Theatre, South Bank, SE1.

Art of non-communication

Alastair Macaulay witnesses Pinter ambiguity carried to virtuoso heights

with his work, of what Pinter is saying in this play; and that is right. But it may be more important to say that not understanding Pinter is a very great pleasure. To feel the shusiveness of his meaning is, in fact, to come very close to its essence. People, he keeps saying, are inexplicable. And the poetic beauty of his art lies, of course, in the way he says this, and shows it.

In *Ashes to Ashes*, what is more, Pinter is his own director (directing a premiere of his for the first time); and, in the performances of Lindsey Duncan and Stephen Rae, each angle of a brow, each beat of an eyelid, every foot between the

two actors, seems charged with ineffable meaning.

If there is one bolt more breathtaking than any other, it occurs, I would say, just over halfway through. It is mainly Devlin who interrogates, and Rebecca who keeps eluding him. (When, once, he grasps her physically, it becomes especially clear how fully she eludes him in spirit.) Often she resists him by telling him of the past – of her past, which he does not share. Her memory of an unnamed man is an especially strong threat.

But she also uses memory to reveal herself; and suddenly,

astoundingly, her memory arrives at this: "And my best friend, the man I had given my heart to, the man I knew was the man for me the moment we met, my most precious companion, I watched him walk down the platform and tear all the babies from the arms of their screaming mothers." This is one thunderbolt, and it is followed by a silence; but more breathtaking – like a slap in the face to her – is Devlin's next question: "Did you see Kim and the kids?" Is he flatly refusing to listen to her revelation, and switching to quotidian banalities? Or have her words been in fact her unspoken thoughts, and

has Pinter "cut" straight to Devlin's next question as if using collage technique? In this play, the interior and exterior are very remarkably spliced together.

At several moments, *Ashes to Ashes* enters terrain that earlier Pinter plays have crossed. Now it resembles the political interrogation of *One for the Road*, now the jealous insecurities of *Old Times*, now the parallel but sundered male-female talk of *Landscape*. And each time it swerves and takes us where he has never taken us before.

At the Ambassadors Theatre, WC2

With the Royal Shakespeare Company's production of *A Midsummer Night's Dream* already installed at the Barbican, the revival of Britten's *Dream* at English National Opera makes for the kind of happy double one would normally expect only at a festival. Although it was written for the confines of the Jubilee Hall at Aldershot, the music seems perfectly at home in the Coliseum: all those distinctive gis and waltz up to the rafters in the same luminous, haunting way as *The Turn of the Screw* did in the same theatre. It is a credit to Stewart Bedford's precise and idiomatic conducting and the quality of the ENO orchestra that Britten's instrumental effects come across so well.

This is the first revival of a production ENO imported in May 1986 from the Alm festival, and its provenance is written unmistakably on each scene. The Canadian

Opera/Andrew Clark The 'Dream' as panto

director Robert Carsen, and his designer Michael Levine, tailored their approach to a French summer audience. The result is a divertissement – all clean lines, bright colours and jokey repartee. This is the panto approach: the magic and maze of human relationships are pushed aside in favour of toy emotions and international chic. There are no undertones, all is on the surface.

It depends how you like your *Dream*: if you want to see lovers acting (and dressed) like debutants, and mechanics deprived of their primitive innocence, this could be the *Dream* for you. If you want a *Dream* that matches the depth and

symbolising nature – has been whisked away in an empty *coup de théâtre*.

This revival, directed by Carlos Wagner, depends heavily on old British hands like Bedford, Lillian Watson, Roderick Kennedy and Gordon Sandison. Watson's Tytania is as malleable as ever, and unlike several other members of the cast, her every word counts. As Bottom, Kennedy had a subdued roar (he was mildly indisposed), but still came across convincingly. Sandison's Quince, dressed like a cloth-capped union official, was subtly etched. Miltos Yerolemou is the infectiously earthy Puck. The young American counter-tenor David Daniels has Oberon in his voice but not yet in his bones: this was a tentative London debut, lacking authority and menace. The other principals, all ENO regulars, have little chance to shine.

Performances continue till October 7 (0171-632 8300).

Since that early sibling rivalry between Cain and Abel, since the troubles that dogged *Maison Arends*, family life has provided such nasty examples of barbaric human behaviour that it comes as no surprise to find family values earnestly advocated by politicians, a breed not notable for its grasp of reality.

Fact is stranger than fiction where families are concerned, as witness last Monday's play on Radio 4. *Burdalane* recounted the grotesque tragedy of Lady Grange who, having forced her husband to marry her by holding a pistol to his head, was eventually shipped off to the island fastness of St Kilda where she was detained as mad, while her spouse pursued – no prizes for guessing – a prominent career in politics.

The story is based on fact. You can study the faces of those concerned in the Scottish National Portrait Gallery in Edinburgh: a 18th-century pragmatism battles with old beliefs – the family was involved with Jacobite uprisings; Scotland continued to execute witches long after the English, though not as long as the Irish who put their last witch to death in the naughty nineties, a mere century ago. Judith Adams's play was a

Radio/Martin Hoyle Domestic strife

rich mixture of the conniving husband's political background (historically he even managed to take control of his Jacobite brother's estates, emerging from rebellion smelling sweater than a pomander) and the Celtic wildness of the maid-woman's exile, its superstitions manipulated by villagers jockeying for influence, a reflection of the power struggles on more public stages further south.

The brew of folksiness, felony and *fèrme* was well yeasted, apart from some grating modernisms in the dialogue the howling northern bleakness and the poor lady's rambling turning up a sort of feminist age of enlightenment *Lear*. The one fly in the ointment was the English type who narrated much of the action in a modern, suburban and thoroughly naff delivery.

Otherwise this made a gripping and haunting 90 minutes. Now that the clownish decision has been

one Catholic mother recounted how she carried out a DIY baptism over the kitchen sink (apparently permissible in extreme circumstances) and felt much better on behalf of her child.

Others spoke of unconscious unkindness from in-laws, lamenting the lot of mixed-marriage children. One Catholic mother, herself a headmistress, had been summoned by the outraged head of her daughter's primary school on hearing that the girl was going on to a Jewish secondary school; her priest, on the other hand, thought it a lovely idea.

Perhaps the most fascinating aspect in Sue Margolis' investigation was the actual attraction between Catholic and Jew, those elements that drew them together: tradition, discipline, strong family background – oh no, not that again...

Book of Bedtime has gone all English on us with "the nation's favourite poems", variably read. This is the poetic equivalent of *These You Have Loved*: you can practically recite along John Nettles, Siobhan Redmond and some rather nerdy-sounding young suburbanites in need of elocution lessons. But, as with all popular classics, the odd treasures are thrown up: "Adlestrop", "Ode to a Nightingale" – good God, Paul Gambaccini will be introducing them next.

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ARTS

Little remains of my school Latin - it is not so much a question of declining *merita* as of rejecting it utterly - but I remember that a sentence beginning with the word *Nun* expected the answer "No". The perfect example today is that all too familiar question: "Is there anything on television?" On the assumption that those involved in this exchange have an IQ greater than their age, the answer is as anticipated. A stranger to our TV schedules might be forgiven for assuming that the majority of programmes were therapy ranking no higher than finger-painting.

The belief that viewers are dumb-clucks seems a guiding principle with the minders who plan our viewing. Daytime listings offer the triumph of unreason. Last Friday proposed a film starring a dog; a cartoonist showing "how to draw ordinary objects"; five cookery programmes; a re-hash of sporting thrills from the past (television has in-built nostalgia: it returns to its own past like a dog to its vomit); three pickle-makers starting up a business; 45 minutes (count each one as a bead on a rosary of sodium) devoted to sheep-dog trials; a documentary about

a shipwreck in 1899; something cheering on the increased cost of funerals (so re-assuring for the house-bound elderly who presumably watch this stuff); a *discussion* about house-work (ideal for housewives who haven't had enough of it during the day); a shopping game (for those in need of more check-out fun); the last in a series about how "ordinary people, work and leisure are absent from early factual film-making" (a truly hypnotic subject); another instructive half-hour about drawing; sporting events; an old film or two, and our daily ration of Australian soaps (heavily populated with teenagers on heat).

This torrent of mediocrity sweeps through our homes, damnable and undammed. Of course, we don't have to watch, but for those who choose to do so, it is surely an intellectually and emotionally stultifying influence. If we

are what we eat, we are, in this telly age, what we watch. The evenings offer a weird equation in programming, as if the fatuities of *Telly Addicts* (the couch-potato's Olympics) or *Small Talk* (children with the galloping utes who would be better employed up chimneys), or *Hyacinth Bucket* and the *Muppets* (can you tell them apart?) may be set against the serious matters of Channel 4's admirable *Nuremberg* last Tuesday or the start of *Contemporary Tales*, Ian Hislop's persuasive series about the Anglican Church in our century, also Channel 4, on Thursday.

Nuremberg looked back at the war-crimes trials, 50 years after the event, in salutary fashion. Even after half a century, the sight of those devils - Goering still bombastic; Streicher and Kaltenbrunner like things from the nether pit - still strikes to the heart.

Their greetings to each other as they entered the dock a desperate display of bravado and fake dignity. And how salutary to be reminded that, thanks to Cold War politics, Alfred Krupp and his fellows only had to serve two years and then had their fortunes restored to them, and that the majority of the lesser swine also escaped long-time imprisonment.

The start of the Cold War was also admirably studied in the new series on BBC2 of *People's Century* on Sunday. The producer, Angus Macqueen, has a clear eye for the relevant moment, with brazen-voiced Soviet toasts praising dear old Uncle Joe Stalin, Khrushchev and Nixon in a double-act as stand-up comedians, and political trials both East (vile capitalist pawns) and West (Senator McCarthy in full bluster). Grand and terrifying stuff, and hilarious in the clip of a Middle-American

township enacting life under Communist rule.

Terrifying stuff of a different kind came in BBC2's *Immortal Emperor* on Sunday. The paranoia of the first Qin Emperor, a monster of brutality, led to the creation of a vast museum - built by 700,000 slaves - whence comes the army of terracotta warriors discovered in the 1970s, and staggeringly beautiful bronze artefacts.

Dr Tony Spawforth told the tale well; we saw ravishing scenery, a mysterious dance by a Taoist monk, a jade burial suit that might have come from *Dr Who* and we learned that the Chinese invented chromium plating in 200BC, and that breaking wind and belching was thought to reduce the life-force. ("Eating beans seriously damages your chances of immortality".) Programmes such as these treat us

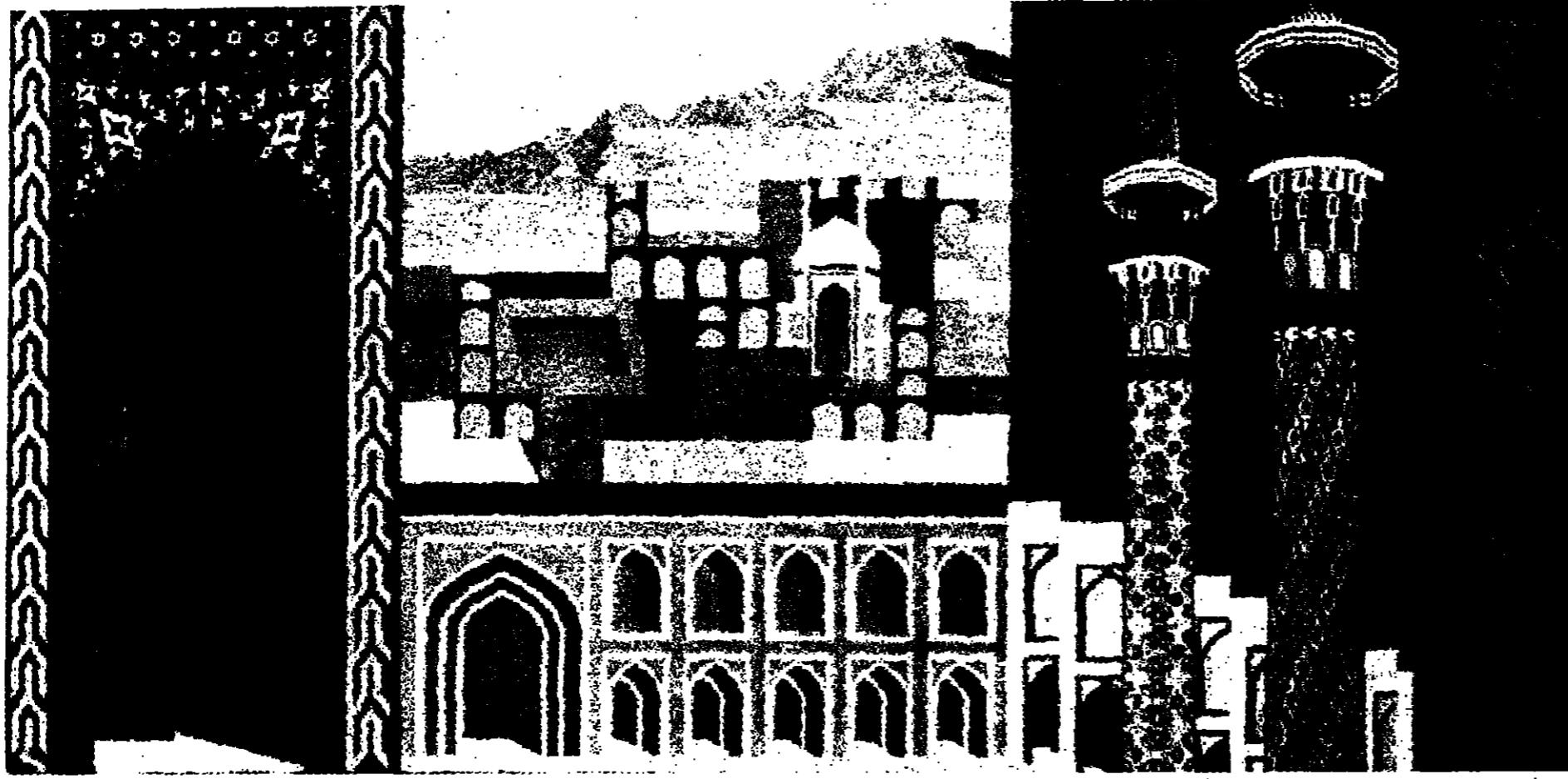
as grown-ups. It is curious that they are all historical: today's art, drama, music, literature, fare less well - though all praise to the BBC for the Proms transmissions and for the Leeds Piano Competition coverage. A prize for the most bizarre and what-fools-these-mortals-be subject must go to Channel 4's *Paradise Island*, part of the *Caving Edge* series on Monday. The idea of 400 families taking off to make a "safe" and daintily exclusive community on a Caribbean island under the leadership of someone whose past was murkier than he cared to let on is the material of a fine satiric novel.

The lamentable impracticalities of the enterprise, the abundance of drones - all armed with £150,000 - but precious few workers, and the eventual revelations about the leader (shop-lifting and an ex-wife to blow off gaff) and about the idyllic island (a dumping ground for US army nerve-gas) were splendidly paced by the director, Lucy Sandys-Winch.

All this and a new and teasing *Tug-o'-war* on Thursday: things could be worse. They could, in view of the rest of the schedules and the lumbering platitudes of *Rhodes*, be much better.

Television/Clement Crisp

Triumphs of unreason



Cool, restful and refreshing: originally commissioned by BP in 1966 for its restaurant, Edward Bawden's vast murals have found a temporary home in the hospital

Murals with a feelgood effect

William Packer admires the latest loan to the Chelsea & Westminster Hospital

Two mural panels by Edward Bawden were unveiled at the Chelsea & Westminster Hospital last week. No rush. All in good time, you might feel, as you nervously stretch and flex to the latest ache or symptom. But the hospital is always worth a visit quite independent of any clinical imperative, for the sake of whatever works of art it has lately begged, borrowed or bought through its remarkable arts project, *Theatre for Health* - and there are concerts and performances besides.

Not a penny comes from the NHS to pay for it, all is raised privately. These Bawden murals are a spectacular case in point. They were commissioned by BP in 1966 to decorate the restaurant of Britannia House, its then new headquarters in the City. Thirty years on, having moved to a newer home that has no room for such vast panels, rather than sell or store them, BP is lending them to the hospital.

They hang high up in the farther atrium on the left as you go in, beyond Allen Jones's huge metal *Acrobat* and opposite the bright banners of Patrick Heron. Their imagery, naturally drawn upon BP's interests, is of the domes, arches and minarets of the Islamic tradition, with its richly insistent surface decoration, all set into the desert, "boundless and bare," that stretches far away. But the mood is neither harsh nor arid, but cool, restful and refreshing - nothing could be better suited to a restaurant or hospital.

Bawden was one of the great masters of modern British art, but one too often under-sung and disparaged for his decorative gifts - as though to make beautiful and diverting things was not a serious achievement. He had a particular eye for popular art and culture of all kinds, but especially the native British traditions, to which he brought his own sophisticated and knowledgeable modernism.

A smaller of his murals, though

still large enough, hangs near the hospital's main door. Made for P&O in 1949, its theme is "The English Pub", and those old names redolent of our common past and experience - The Wheatsheaf, The Rose, The White Horse and so on, that ignorant brewery executives

nowadays are for ever wiping out. It too is on loan to the hospital, from Peter Nahum at the Leicester Galleries, in hope that money might be raised for its eventual purchase. It is an affectionate, clever, witty and altogether delightful thing. Any offers of help

or interest may be made direct to the arts co-ordinator, Susan Lopert, at the hospital (0181 846 6521).

At the Tate, one of the current New Displays focuses on Karl Weschke, a painter who should hardly have had to wait until he was 70 for such recognition. Better late than never. At least the Tate has the *nos* to buy him now, though when we see the fashionable young being snapped up for the collections, we better not wonder, with the Mad Gardener, at the mystery of it all.

Weschke came to England as a prisoner of war and has remained in Cornwall ever since. He is an expressionist of a refined and considered sort, whose works are possessed of an ineffable melancholy, on the edge of terror. The pale nude lies corpse-like on the bed: dogs fight on the beach: a huge black cloud hangs over all.

Other recent modern British acquisitions, all more or less figu-

rative, are also currently on show. They include a lovely carved maquette by Eric Gill for his "South Wind" relief at the London Underground at St James's Park, and good paintings by Medley, Doig, Bomberg and Mackenna. Particularly pleasing is the large schematic landscape by Myles Murphy, that won the John Moores Prize over 20 years ago.

But best of all is the portrait of his wife and son by Norman Blamey, a work of inordinate concentration and technical pains, yet rich and tender in its effect and beautifully done. But Blamey is in his 80s. Again: why wait so long?

Fantasy on Islamic Architecture by Edward Bawden: Chelsea & Westminster Hospital, 369 Fulham Road SW10; an indefinite loan from British Petroleum. New Acquisitions & Works by Karl Weschke: Tate Gallery, Millbank SW1, until November 3 & October 6 respectively. New Displays sponsored by British Petroleum.

Bawden was too often under-sung and disparaged for his decorative gifts

Off the wall/Anthony Thorncroft

The fair attraction

Trial buyers as against a handful of weeks in their shops. Jay Jopling, who handles Damien Hirst, is still missing, but Karsten Schubert (Whiteread's agent) is exhibiting again, and among the newcomers is the trendy Anthony Wilkinson and the not quite so trendy but very comprehensive Fine Art Society.

Throw in exhibits from

Leslie (and Theo) Waddington, Agnews, Peter Nahum, Angela Flowers, Gimpel Fils, Crane Kalman and many more and you have the most representative collection of British art. For the first time there is a photographic gallery showing Michael Hoppen, Bill Brandt, (22,000-26,000), Nadav Kander, Bert Hardy and more.

Last year 750 works found new homes at the fair, and judging by the 25 prospective dealers turned away, the trade is optimistic about the level of demand. Prices are still reasonable. The £175,000 Henry Moore maquette of a seated figure on Berkeley Square's stand is exceptional: most items are priced below £5,000, although Duncan Miller is offering a Peplio "Still life with tulips" for £75,000; nine years ago it would have cost nearer £150,000.

Among the highlights are the 1996 Jerwood prize winner John Hubbard at Purdy Hicks, with works on paper from £4,000; Caulfield, Flanagan, Heron and Yeats at Waddington Galleries; Graham Sutherland's "Vim Perogola" (£75,000) at Agnews; Hockney's very latest prints

priced at £23,100 and £4,700 at Wiseman originals; and "Camden Town Interior" by Sickert at Jason & Rhodes. There are also Sickerts at the FAS stand, perhaps because the little seen Sickert Collection of Islington Borough Council provides the loan exhibition.

best known for coins, medals, oriental art and jewellery, has a presence in British watercolours it has never sold British oils. Leger gives it access to this market.

The book value of Leger was a modest seeming £2.2m but the dealer's speciality, British portraits, has attracted higher demand in recent months. Spink's interest in expanding coincided nicely with the plan of Leger's chairman, David Fennett, to wind down. The new firm will trade as Spink-Leger. Lowell Libson of Leger takes over as director with Posnett as consultant.

While Nicholas Snowman,

the chief executive of London's South Bank arts complex, devotes his energies to re-jigging the SBC's lottery bid - the Arts Council, embarrassed about passing a £170m re-development plan for yet another big London client, has asked the SBC for a cheaper project priced nearer £90m - programming the South Bank for the new 1996-97 season has been left to newcomer Jody Myers, responsible for the performing arts, and Susan Brades, who has taken over as director

of the Hayward Gallery. The main festival of the year is American Independents, featuring everyone from John Cage to jazzman Randy Brecker, performance artist Diamond Galas to the Kronos Quartet, Jessye Norman to Lauri Anderson, who is directing next summer's "Meltdown" festival. In April the featured "Living Composer" is Philip Glass.

Dance has taken root at the South Bank, with attendances of over 70 per cent.

There is now a choreographer in residence, Catherine Seymour, and a programme that includes Dance Umbrella, English National Ballet in its longest ever

Christmas season, Phoenix Dance, and a new work by Mark Bruce featuring singer PJ Harvey.

While the Hayward is

heaving with visitors for the controversial Robert Mapplethorpe show, later exhibitions include Howard Hodgkin, Tatsuo Miyajima, and the Harlem Renaissance, African-American artists of the 1920s.

The slow growth in attendances at the South Bank continues, with a 67.6 per cent average for the Festival Hall, up 3 per cent and marginal gains for the other halls.

The overall aim seems to be to persuade people that the South Bank caters for the performing arts, and Susan Brades, who has taken over as director

however, it becomes apparent that the laughs are more often than not independent of the play. Jonson's *Comedie* as lasting about three and a half hours, and "if you work your pants off you can get nearly 20 laughs". At first, Bill Alexander's production for Birmingham Rep and the National Theatre leads one to wonder whether perhaps he was being a little uncharitable. Simon Callow, Tim Pigott-Smith and Josie Lawrence as the central trio of Cozeners are all on good form, and the giggles flow relatively freely.

Alexander has set the action vaguely in "the future": giving William Dudley the scope for teetering designs, and allowing us to consider the urban chaos and cod-mysticism of the play in the light of a New Age dystopia rather than plague-ridden 17th-century London.

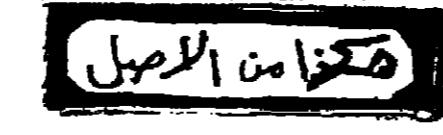
Pigott-Smith's Subtle, all hair extensions and rumpled self-importance, is more of a confederate than a rival to his fellow, the master of disguise Face. Simon Callow cuts loose as the fraudster in-chief as "Captain" Face, he sports a swagger stick, tache and Terry-Thomas drawl, as alchemical stoker Lunga he shambles around, hunched, emitting a Black Country accent through buck teeth; reverting to the persons of reliable Jeremy Butler upon the sudden return of the master of the house, he simply becomes Hudson from *Upstairs, Downstairs*. Josie Lawrence, in particular, is made for exuberant pretences, whether as the Queen of Faery or a demure but unashamed young creature - the pity is that, as Doll Cormon, she is afforded so few opportunities for such play.

At the Birmingham Rep until September 28, then to the Olivier Theatre from October 4.

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ALL THAT GLITTERS: The Fall of Barings

Hurtling towards the abyss

Though Nick Leeson lost money steadily for more than two years, almost half the £830m he threw away disappeared in the last week before the collapse. In the final extract from their new book, FT reporters John Gapper and Nicholas Denton reveal missed opportunities to prevent Leeson's reckless final fling

Dairmaid Kelly was Barings Securities' longest-serving employee. He had joined Christopher Heath's small stockbroking operation in 1981, three years before Barings took it over. When Heath was asked to leave by Peter Baring, Kelly had become the oldest survivor.

Kelly, by now deputy head of equity broking and trading, had joined the management committee of the new investment bank run by Peter Norris, chief executive. Kelly was a plump figure, with dark slicked-back hair, who smoked French cigarettes. He had a colourful past, having been expelled from Ampleforth College for smoking marijuana. A natural share salesman, he was a raconteur with a fund of amusing anecdotes.

By early 1995, Kelly was becoming increasingly concerned at what he was hearing from investment banks in Asia. During the last part of 1994, he had been told of Leeson's mysterious Customer X who for a time appeared single-handedly to dampen Nikkei volatility. By mid-January, Kelly was worried by the huge positions Leeson was amassing on Simex and Osaka.

Mary Walz, head of equity derivatives trading, had seen off inquiries from Kelly once, when he had asked about Customer X. Walz did not want to tell him about Philippe Bonnefoy, the man she thought was Customer X. "I think it is a bad idea to alleviate [Barings' share salesmen's] frustration by giving information about our 'customer' they should not have," Walz wrote to Norris tartly.

Kelly had bided his time. By early February, the rumours about Leeson's trading were becoming stronger. As Leeson bought thousands of Nikkei index and Japanese Government Bond futures to prop up the Nikkei following the Kobe earthquake on January 17, rumours had started about whether Barings was buying for a customer, or for itself.

Meanwhile, Leeson was facing other problems. While on holiday in Ireland just before Christmas, he had been phoned by a settlements clerk in Singapore and told that there was a Y7.8bn (£50m) deficit in Account 88888. The money had been thrown away by Leeson over two years in subsidies to Barings' customers and fake trading profits.

Leeson had found it easy enough to spend the money to puff up his reputation. It was harder to conceal the damage. It was no use simply shuffling money in the accounts, as he had done each month-end. These were year-end accounts that would be audited by Coopers & Lybrand in Singapore.

The solution he devised on the phone from Ireland was bizarre. He made up a non-existent trade that a customer was supposed to have carried out through Barings Futures. This customer had bought 2,000 Nikkei options, and owed Barings Futures the Y7.8m in premium. This brought the balance in the five eights account back to zero in the accounts.

On Friday January 13, Leeson was called by Coopers & Lybrand, who had started to look over the Barings Futures books. They told him they could not trace the documentation for the £50m "receivable" - an accounting term for a debt owed to a company in its accounts - that Leeson had invented.

Leeson stalled for time but at a meeting with the auditors on January 27 he had to provide details. The £50m was owed to Barings by a US broker called Spear, Leeds & Kellogg, he said. It had bought the options, but still owed Barings the money.

Coopers & Lybrand sent a note through to London, containing Leeson's explanation. The reaction of Geoff Broadhurst, finance director, was exasperation. He thought that a junior accountant in Singapore must have misunderstood something. "God, we've got another bumbling idiot out in Singapore," Broadhurst told one of the auditors in London.

However, he was worried by the note. He had heard nothing of a missing £50m. Broadhurst told Tony Hawes, Barings' treasurer. Tony Hawes, Barings' treasurer, was about the incident. Hawes was

already concerned over Leeson's enormous needs for cash from London. Hawes sent an e-mail to Leeson and Simon Jones, regional operations manager in Singapore. "To us here, this looks very muddled and strange comment," Hawes wrote.

Leeson had one thing protecting him from this renewed assault. Broadhurst and Jones were not talking to each other. Jones defended his patch passionately, and had been treating Broadhurst frostily since a row between them in July.

On February 2, the Coopers auditors in Singapore insisted on receiving proof of the SLK transaction. Leeson went to the Baring Futures office in Ocean Towers, and forged the proofs. He typed a note from Ron Baker, head of derivatives trading, confirming that Baker knew of an over-the-counter deal with SLK. Leeson then forged Baker's signature on the confirmation note.

He forged two letters from SLK by cutting out the signature of Richard Hogan, managing director of SLK, from another letter. Leeson gave all these proofs but one to the auditors that evening. The payment confirmation letter was supposed to come directly from SLK to the auditors. At 7.16am the next day, Leeson faxed it through from his Singapore office.

The top of both sheets, which were supposed to have been sent from SLK in New York, bore a line imprinted by his fax machine: "From Nick & Lisa". Leeson did not remember that his fax machine had been set up to print this automatically. It was a rather large flaw in what had been a hastily-improvised deceit. It did not matter. Shortly after receiving the fax, Coopers cleared the Baring Futures accounts in Singapore.

By Friday, various explanations had filtered through to London, creating as much confusion among senior managers as over Leeson's requests for funding. But Broadhurst calmed down when he heard that the £50m receivable had been confirmed.

To improve things further, Hawes was flying out the next day to Singapore with Tony Ralton, deputy head of futures and options settlement. He was to fill in for a clerk on maternity leave, while Hawes tried to unravel the margin problems. This was becoming ever more urgent. Leeson's concealed trading in the five eights account had now expanded the gap in the London balance sheet to £150m.

Leeson was now very scared, and the strain too intense to be hidden completely. He had gorged food and drink in the past year, but he could hardly hold it down. He was walking off the Simex trading floor constantly to vomit in the toilette nearby.

Hawes started his week in Singapore by sitting down to

write out questions to ask Leeson. He fixed a list of 20 questions to Ian Hopkins, head of group risk, in London. Hopkins had just returned from holiday, having missed the previous week's debate about the £50m gap in Singapore.

Hawes in turn sent a copy to Ron Baker to look at. Baker was intensely irritated. He was already exasperated by Tony Hawes, and thought this might be an effort by Hawes to pin blame on Leeson. On Wednesday, he went to America Square for the daily asset and liability committee (Alco) meeting, and walked into Norris's office, brandishing Hawes's list. He had written by the side of some questions expletives about Hawes. "What I've written is so disgusting that I've had to snowpaint some of it out," Baker said.

Norris was vexed by Baker's open aggression, but there was little time to discuss it before they had to go down to the Alco meeting. Having got what seemed to be confirmation of the £50m receivable, Norris was ready to put the incident formally on record. Hopkins' face blazed with anger. He was amazed by the scale of the mess that appeared to have broken out while he had been on holiday.

On Thursday, Hawes went with Leeson, the Singapore manager, to see a Simex official, and talk about the funding problems. She mentioned in passing that Barings was long of the Nikkei. "No we are not. We are short," said Hawes. He had swallowed Leeson's story that his long futures position on Osaka was matched by a short position on Simex. "Okay, we will check that," the Simex official told Hawes.

Hawes' final meeting was with Leeson and Jones that Thursday. They met in Jones's office. Leeson told him that Simex had checked the figures. He was correct: Barings was short on Simex. The subject switched to the SLK trade. Leeson acted like a schoolboy hauled in front of the headmaster. "I've been careless, and it won't happen again," he told Hawes, who flew back to London later that day.

By Wednesday February 15, Ralton was getting very worried. His worst fear about Leeson's funding requests was true. The breakdown of figures between customer and house accounts was meaningless and had been made up by a settlements clerk. Ralton still did not suspect Leeson of fraud. He simply thought he had been covering up back office chaos.

Leeson was hard to pin down. He was not simply trying to avoid Ralton, although that was part of the reason. He was also battling desperately to keep the Nikkei above 18,000. That Wednesday, it toppled below the danger point, closing at 17,991. Leeson was now buying frantic-

ally, throwing Barings' cash away. He ordered his traders into the pit to buy futures each time the index dropped.

Leeson had gone beyond restraint. Five eights now held more than 50,000 Nikkei futures and 27,000 JGB futures. The Nikkei strained to fall into a lower range. The only thing stopping it was Leeson. He was being dragged towards the edge of a precipice. On Thursday, the index dropped 210 points to 17,781. Leeson was close to falling over the edge.

When he came off the trading floor at 2.15pm, Leeson knew in his heart there was no hope left. At 4.30pm, he was due to meet the bank's chief executive face-to-face. Norris had arrived in Singapore as part of a tour around Asia. His last meeting of the day was with Leeson. As Leeson came up to the 24th floor, he had to go into the men's toilets to be sick because he was so gripped by nerves.

He need not have worried. Norris did not have any inclination to quiz him, particularly when he saw Leeson sweating slightly, in an open-necked shirt. Norris did not mention SLK. He wanted the meeting over as fast as possible. The two talked a little about the market, and Leeson stammered an explanation of his switching book, and the ticks and turns he could give to customers.

It was largely incomprehensible to Norris, who was impatient as ever. Unknown to him, it was his last chance to save his bank, but he did not pause long enough to observe what a mess the blustering young trader was in.

The following morning - Friday February 17 - Dairmaid Kelly heard a rumour that Barings was in trouble. It was the second one of the week - this time from Hong Kong. A fund manager at Jardine Fleming had rung its Hong Kong office to pass on rumours that Barings was in trouble over its futures positions on the Simex and Osaka exchanges, which everybody in the market was watching.

Kelly had enough. He had been warning fruitlessly for over two months about the Customer X rumours. This time, he would get it from the horse's mouth.

At 8.27am, he rang Ron Baker in Bishopsgate. Baker was taken aback. He suspected that anything he told Kelly would go straight into the market.

"You couldn't just run me through where we are on these Japanese futures?"

Kelly inquired silkily. "Er, in what respect?" Baker said guardedly.

"I'm just trying to work out what our positions are at the moment, either for ourselves or on behalf of clients. You know, whether most of them are matched, or if they are open positions, or whatever," said Kelly.

"Well, we have no delta position..." said Baker. By this he meant that Barings had no exposure to rises or falls in the cash market - in other words, long and short positions were matched.

"Let me come back to you with what our open contracts are," said Kelly.

"Um, okay, it's very difficult to get a straight answer out of the Tokyo office. I don't think they know," said Kelly.

"Yeah, I mean I hear you, but I wouldn't want it to go to a customer," Baker said.

Kelly moved smoothly up a gear. "No, we're not going to tell a client, Ron. We're slightly in the dark here, trying to cope with other brokers telling the clients that we are bust."

Baker explained his understanding of Leeson's switching, which relied on amassing matching positions on Simex and the Osaka exchange. "On that list, we'll come out with quite a massive exposure on Osaka... and if you just look at that in isolation, which people would be entitled to it in Japan, it would appear as if we had an extremely large position."

Kelly pointed out he had been told that Barings held 20,000 long futures for three customers.

"I'm just trying to work out what our position is, because nobody here knows. I'm not worried about the risk of it, because I'm satisfied that you all know what's going on, but I have no idea how to explain to someone what the position is," said Kelly.

Baker attempted to fend him off, still worried that the information might leak to competitors.

"No, we're not giving out information. I just want to know!" Kelly said. Baker promised to get back to him.

Baker rang back half an hour later to confirm that Barings was long 20,076 futures in Osaka, and the same amount in Simex, is that right?" Kelly asked.

Baker agreed, and promised to come round later that morning to explain the position in more detail. But only seven minutes

later, at 9.03am, Kelly was back on the line. "Ron, sorry it's Diarmuid again, because we're under pressure, certainly in Hong Kong, to have something to say to people before Jardine Fleming sort of stop dealing with us. Apparently, it's gone out on the Morgan Stanley, Goldman Sachs morning wire to be careful about using Barings as a counter-party."

"Yeah, we have no delta position..." said Baker.

"Therefore, there is an equal and opposite matching position in Simex, which they can't see... therefore I can say we do have a risk to the Osaka stock exchange," Kelly said.

"Yeah," said Baker.

"Which you don't mind revealing," said Kelly. "Yep," said Baker.

"And also that Simex is the counterparty, and not the client," Kelly said. "Now could you get your guy in Hong Kong to stomp on to the floor, and gather some of the more senior people around him and explain just that, so that when their clients ring up they can rebut it?" he asked.

"I really don't want to go into it, we can't tell JF [Jardine Fleming] who our customers are," Baker insisted.

"I am not going to tell JF," Kelly said.

"I don't want to tell the Hong Kong sales force," said Baker.

"I am not going to tell the Hong Kong sales force," said Kelly.

"I'm not sure it's correct to say we have three big customers," said Baker, stalling.

"Ron, look, it's me talking to you," said Kelly in desperation. "Forget about the customers, forget about Flemings, forget about Morgan Stanley. I'm just asking you as a member of Baring Investment Bank management committee, who the customers are that we are dealing with?"

"There's a list of them, Diarmuid," Baker stalled.

"Well, who are the big ones, just so I know?" Kelly pleaded.

"The hedge fund in Bermuda, Tiger and Refco," Baker conceded.

"So apart from this slightly strange guy, these are all big players in the futures world," Kelly said.

"Yeah," said Baker.

"So that's the amodyne answer to that: big and known futures players," Kelly said.

"Yeah," said Baker.

"So what happens is these guys come on and give an order in Simex, which they prefer to deal in because it's more efficient, blab blab, correct?" Kelly asked.

"Yeah," said Baker.

"So Simex doesn't have the volume, so we do it in Osaka, and then sell them a Simex contract exactly matching the one that was bought in Osaka?" Kelly asked.

"Exactly," said Baker.

Kelly started to question Baker about the way Barings paid margin, the cash collateral required by all futures exchanges, pressing to find out if there was any risk from a hedge fund collapsing.

"Baker," said Kelly.

"We collect it?" Kelly asked.

"Yeah, so we're holding it in advance," said Baker, wrongly.

"Yeah sure, but our risk could be a cock-up in settlement. That would be a funding thing," Kelly asked.

"Yeah," said Baker.

"But we are a bank with a billion US dollars of capital. We have substantial funding lines and credit lines in Singapore," Baker went on.

"Absolutely. The only risk is a funding risk, whereby for some reason or another because of some cock-up in settlement... we haven't called the margin off the clients," said Kelly, putting his finger on exactly the reason Barings was about to collapse.

"Simex comes to us for the margin," Baker said.

Kelly ran through a version of the story for external consumption.

"Okay, so I wouldn't be out of order if we told clients that the position they see in Osaka represents a facilitation for agency trades that we're

doing in Simex," he said. "Yeah, you wouldn't be out of order," said Baker.

"Therefore, there is an equal and opposite matching position in Simex, which they can't see... therefore I can say we do have a risk to the Osaka stock exchange," Kelly said.

"Yeah," said Baker.

"Which you don't mind revealing," said Kelly. "Yep," said Baker.

"And also that Simex is the counterparty, and not the client," Kelly said. "Now could you get your guy in Hong Kong to stomp on to the floor, and gather some of the more senior people around him and explain just that, so that when their clients ring up they can rebut it?" he asked.

"It was one of Baker's final tasks before going on holiday. He flew off to Verbler the following morning. But Baker was not content. He had spent several weeks trying to get Leeson to reduce his trading on Simex and Osaka, but it only seemed to have grown. Baker was getting angry at what seemed to be Leeson's defiance.

On Sunday night at 8pm, Baker rang him again. It was 8am in Singapore, but he did not care about waking Leeson up. He left a message on the answering machine. Leeson called him back two hours later. Baker did not mince his words. He said there was no excuse for Leeson not cutting positions.

"If you lose \$1m getting them down, it's money well spent. I want them at 10,000 by the time I'm back. Do you understand?" Baker said.

"I understand completely," Leeson said.

"If those positions are not reduced, I'm going to come down there personally, and sort you out," Baker said.

"I hear you," Leeson replied.

An hour later, Leeson picked up his trading friend Danny Argyroulou at his apartment. Leeson described ruefully how he had just been told off by Baker. He appeared ready to obey, but in practice he could not do so without removing the last support from the Nikkei. Too many investors were now selling Nikkei futures, and Account 88888 was virtually the only force preventing a headlong fall.

On the morning of Thursday February 23, Leeson called Fernando Gueler, the chief derivatives



James Morgan

Another leap into the blue

Pragmatism involves going ahead with a project and sorting out the problems afterwards

The English are bastards but we need them." This remark was not, curiously, about European Union but about rugby union. It was culling from the streets of Toulouse by the sporting weekly *Mid-Olympique*.

Many readers may be unfamiliar with the tale of the Five Nations rugby near-disaster, but it started when the Rugby Football Union, of England, negotiated a big contract with BSkyB, the satellite broadcaster, and then refused to share the money with its partners.

So they said they would not play with England and that made the contract rather worthless from the point of view of the

broadcaster. After months of haggling, England gave in and shared some of the money.

There may not seem to be many lessons here that are relevant to the divisions within Europe referred to by Malcolm Rifkind, the British foreign secretary, in Zurich on Wednesday.

But one is that you cannot know if you will get away with something until you try it on. That could well be the slogan of the European Commission.

In his speech, Rifkind says:

"We should not proceed down a path of integration faster or further than our people want to go."

This is a very British view.

As an article in *Le Monde* noted last week, the British want to go

nowhere in particular.

The answer to Rifkind is that integration has always gone further than ordinary people really wanted. Most people have always been fairly sceptical and then been surprised when things turned out as well as they did.

The masses never appeared on the streets waving blue flags with gold stars, not without a substantial subsidy anyway. Ordinary people have played no role in the construction of Europe, which provides one reason why it has gone relatively smoothly in many areas.

The English have not, so far, changed that. Politics is far more of a participation sport in England than elsewhere and that

is why the voice of the common man is reflected in the pronounced hostility to much that is European. The governing class in London has had to share the project.

So monetary union will go ahead without the English. That may or may not pose the difficult questions that Rifkind seems to fear. He noted that the founding fathers had wanted a united Europe and now we were going to get a divided one - but that need not be forever. Consider this: either monetary union will be a success or it will not. If it is, then the English might well be tempted to join. They might come to accept it as a "good thing" as they accepted the Com-

mon Market in the referendum of 1975. And other countries will gradually join. Or they may decide to leave the union altogether. If it is not a success, the project might well collapse.

Thus, as in the case of rugby union, there are ways of making things work and answering hypothetical questions - see what happens if you go ahead; then sort out the problems. This is called pragmatism, once supposed to be an English virtue. Relationships between members and non-members can be worked out as the experiment proceeds; out for the euro to be introduced.

What really needs to be resolved is what is meant by

monetary union being a success. If the single currency area functions smoothly, if economic growth within it picks up and unemployment starts to fall, monetary union could well seem to be a good thing. That may be demanding a lot, but after all, what else is monetary union meant to achieve?

The EU has often proceeded by taking a leap into the blue at the behest of technicians and officials which, for Europe's sake, has probably been a good thing. No one is ever sure how these leaps turn out, so let us wait and see. And at the end of it all, they may still need the euro.

■ James Morgan is BBC World Service economics correspondent.

Portrait of a great MP

The best way of illustrating Britain's low self-esteem is the nation's loss of any collective memory of its past.

On a recent visit to the National Portrait Gallery I asked for a postcard of Eleanor Rathbone's portrait. She was, after all, one of the country's great parliamentarians. Mine was the first such recorded request. There is simply no demand for a personal record of one of Britain's more remarkable figures from any age.

But now, it seems, this may be about to change as a result of two books on her achievements. Johanna Alberti's biography is the first to begin the task of reawakening the public mind. In an age of cynicism towards politicians, she presents a storybook-type image of how politicians should behave.

However, although in many respects a fine and measured work, it fails to do justice to Rathbone's contribution to economic ideas, where I believe she rates alongside Keynes, generally regarded as the most important economist of the 20th century.

Rathbone came from a long line of Rathbones, although not quite the 13th Miss Rathbone, as Harold Wilson, the former Labour premier, might have said.

So what made her so special? Born to be part of life's awkward squad, Rathbone was elected as an independent to Liverpool city council against the strong opposition of many male voters.

She became the English Universities' representative in parliament at the election where for the first time women gained the



Gunn's portrait of Rathbone which hangs in the National Portrait Gallery

vote on equal terms with men. At the age of 57, when all too many MPs start thinking of retirement, Rathbone began what must rank as the outstanding backbench career of this century.

There are many firsts to her name. With Winston Churchill, she immediately warned the country of the evil of Nazism. Clearer than anyone on the dangers this regime posed to the Jews, she became the parliamentary protector of refugees.

In one of the few memorable meetings to record the 50th anniversary of her death in 1945, Jews here as children spoke in the most haunting way of the human side to someone whose painful shyness hid most of her true feelings from the public gaze.

One recalled meeting her unexpectedly when in RAF uniform - and how she continued a conversation about his parents which had been broken off almost a decade before.

Rathbone was the most influential feminist produced by this country. While she lacked the spin-doctoring qualities of the Pankhursts, she leaves a far more substantial legacy. The turn of the century was the age when new liberalism attempted to hammer out a social programme. Yet the "condition of the people" issue was seen exclusively in terms of the distribution of income between classes.

Rathbone challenged that debate at its central point. To an elite obsessed by what we would call today the vertical distribution of income, she swung the debate around to consider its horizontal distribution on the same level of income. The tremors of her depth charge into this political and economic debate are still being felt.

Rathbone's contribution to our thinking on who gets what income in our society was unique, a point which Alberti neglects in an otherwise fine and scholarly book.

When Susan Pederson, the Harvard historian, completed her forthcoming life of Rathbone there will then be no excuse for ignoring the importance of one who made a huge contribution to our ideas of liberal thought and social justice. Then perhaps the National Portrait Gallery will receive more than an isolated request for a reproduction of this outstanding person's portrait.

■ Eleanor Rathbone is published by Sage (29.95, paperback; 204 pages, £30 hardback).

Frank Field

■ The author is MP for Birkenhead

Lunch with the FT

The boss in his mellow years

Lucy Kellaway talks to Sir Denis Roeke, the former chairman of British Gas, and finds a changed man

This was my second lunch with Sir Denis Roeke. The first took place in 1986, the year of the British Gas privatisation. Sir Denis, then chairman of British Gas Corporation, had invited three Financial Times journalists to lunch. It was a tense occasion. Sir Denis was in combative form, shutting his colleagues up if they spoke out of turn, and leaving us in no doubt of the low esteem in which he held our trade.

Half way through the meal my colleague passed a remark about the lack of competition in the gas industry. Sir Denis turned red and began to shout that journalists were ignorant fools and if we were going to say that sort of thing he did not see why he should be feeding us such fine beef and claret.

I had invited Sir Denis to lunch this time partly out of masochism, partly out of respect. I wanted to re-acquaint myself with a man who never cared a fig for image, who always did what he believed to be right and who inspired fear, loathing and admiration in the people he met.

It was with some trepidation that I approached the Goring Hotel, an old-fashioned place behind Victoria Station, London, where he assured me he was "not unknown". As I neared the entrance I saw a tall, familiar figure approaching. There were the same bassett-hound jowls, the same deadpan expression. But as I waved, he gave a grudging half smile, and more alarming still, took my hand and made as if to give me a kiss. "You've got smaller," he said. In his other hand was a copy of the FT. Could it be that he was planning to be amiable?

We settled comfortably at a table, the waiter clucking round Sir Denis, making him feel special. Over his gin and tonic he asked me politely about my family. What a nice old man, you would have thought.

"The food is not complicated," he said, bestowing his highest praise on the menu. "This is one of the few restaurants in London where you can get real fish and chips. They do come on a plate, not on paper."

I chose Palma ham and melon followed by an elaborate dish of salmon and asparagus. To my surprise, he told the waiter to "make that two".

In an attempt to rediscover the old Sir Denis, I asked what he thought of the latest heavy restrictions imposed on British Gas by its regulator, "Shareholders in British Gas were conned," he said gruffly. "There was nothing in the prospectus to prepare them for anything that had happened since privatisation."

Before I knew it we were back reminiscing about the old days: "When I arrived in the gas industry 40 years ago it was in a very precarious position and it became

'As you get older you become sad about everything. This country is going to the dogs'

had to have his own way."

I suggested that in that case the two of them were well matched. Sir Denis glowed, as if I had paid him a rich compliment. "Well in a way not. He was a cabinet minister and could do what he wanted."

They weren't all like that. Wedgie Benn (Tony Benn, the left-wing Labour politician) was very well brought up. Beautiful manners. He went out of his way on social occasions to recognise me and to talk to my wife."

But, for the main part, he said he was "not much of a fan of politicians. I'd lock them all up in the House of Commons and let them talk to one another. I don't trust them. I've been the victim of many dirty tricks than you've had hot dinners".



Brendan Cor

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and he gave me a speech on the importance of training and education and on how politicians are not tackling the problem.

I protested feebly that there have been hundreds of recent training initiatives but he took no notice, telling me instead of how well they used to train British Gas' fitters in his day.

"The biggest thing to worry about now is television. Before we had television we went out to do things." I asked if he ever watched telly himself, and he

said he watched sport, and that he used to be a keen sportsman.

"You do realise that I am well over 70 don't you?" he asked. Yes, I said. I did realise.

While he had been talking about the ills of the modern world I had been eating, and by now had finished my nice fish and baby vegetables. He had barely begun. So to allow him to eat I started a long preamble to a question about Cedric Brown. I wanted to know how he felt about a lesser man than himself

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had looked almost ridiculous but it was vindicated when the show opened - in contrast to the same exhibition in The Hague, when the Vermeers were far too close together to be seen through the crowds.

Gillard F. Ravenel II, to give

Gill

the

name of the

exhibition

at the

National

Gallery of Art

in

Washington

DC

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no

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A man who opened eyes

Clive Cookson pays tribute to exhibition designer Gill Ravenel

The art world has lost its greatest genius of exhibition design - and I have lost a great friend to whom I owe my aesthetic sensibilities, such as they are.

Gill Ravenel, who died of a heart attack last week aged 55, had run the design department at the National Gallery in Washington DC for the past 25 years. During that period he put on the most spectacular and influential series of public art shows ever mounted in a single museum.

The 400 exhibitions ranged from his modest debut display of Dürer prints in 1971, through such stunning creations as *The Treasures of Tutankhamun* (1976), in *Praise of America* (1980) and *The Treasure Houses of Britain* (1985) to the current show of ancient Mexican art. And the public loved them. For example, during the final weekend of the Vermeer exhibition last February, I saw people preparing to queue through the icy Washington night for tickets.

In the face of a growing blizzard of electronic images, Gill showed us how to see and con-

template still objects. He also excelled at firing our imaginations; his exhibitions were always strong evocations of the past and culture from which the objects had come.

My private education arose from the good fortune that I met Gill and I spent the first four years of our married life in Washington's oldest district, Georgetown, as neighbours of Gill and his wife Frances Smyth (the National Gallery's editor-in-chief). They welcomed us into their home - modest in size but breathtaking in

Weekend Investor

Wall Street

Internet enters its own Gilded Age

John Authers takes a ride along the most hyped highway of them all

Wall Street investors have always been happy to pledge money into the latest networks of communication. Railroads created America's first Gilded Age. Then came oil and automobiles, and more recently airlines.

But the most recent repository for Wall Street's money is the most hyped highway of them all, the Internet. Online technology is already much more evident in American everyday life than it is anywhere in Europe, and it fuelled a round of spectacularly successful flotations known as Initial Public Offerings or IPOs in the US, in the latter half of last year and the first months of 1996.

The nasty stock market "correction" of early July appeared to have burst the bubble. The Nasdaq, dominated by technology stocks, fell by far more than the S&P 500 and the Dow Jones Industrial Average, which is dominated by blue chips.

America Online, the largest US on-line service provider, typified the trend, losing more than half its value on the market since May, amid growls from analysts that its growth plans had proved over-ambitious. A well-publicised black-out last month, when the entire system was unavailable for a day, did not help matters.

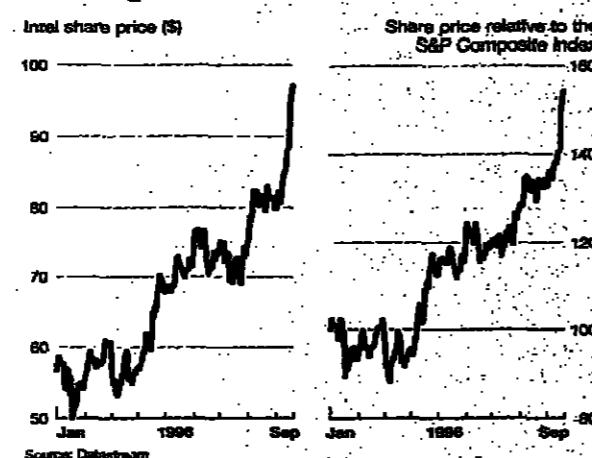
Two months of market rallying later, with the Dow and S&P 500 setting all-time highs, and the high-technology stocks still appeared to have been left behind.

Not any more. Intel stunned the market on Monday evening with what some wags called a "reverse profit warning". It announced its profits for the quarter would be better than expected. Revenue in the third quarter would be up at least 5 per cent from its second quarter level of \$1.62bn, it said, citing strong sales.

Further fuel was pumped into the rally on Thursday by an International Data Corporation forecast that demand for personal computers could increase by as much as 13 per cent next year. Chip makers, including Intel, did well on the news.

High-tech stocks gained across the board. America Online decided to do something about its share price by graduating from the Nas-

Cresting the wave



dag to the "Big Board" of the New York Stock Exchange. It was greeted by an up-grading, its price rising \$2 to \$28. By Thursday, it had registered a close of \$32.

On Monday, Intuit, the market leader in software which allows on-line banking and financial transaction, even managed to raise its share price despite announcing an operating loss, and announcing it was keeping to a long-term strategy. Dealers were pleased by its decision to sell its bill-paying and banking services unit, in a move which reduced fears by banks that Intuit was setting itself up as a direct competitor.

Banks had enough to worry about, as their share prices are very sensitive to shifts in interest rates. This is not healthy at the moment, as the market outside the high-tech stocks remained obsessed by attempts to second guess the Federal Reserve, whose open markets committee meets next week.

During the week, the balance of opinion shifted back towards predicting a small rate rise. The market had a lacklustre week as a result, with the main market indices down from all-time highs and long bond yields edging back above 7 per cent.

The fate of airlines may say more about the overall health of the market. Airlines have traditionally been priced generously, with the markets prepared to give companies time to register profits. But the last two weeks have seen some sharp falls. Last week, American

Airlines made a cost warning. Oil prices, which leapt after the missile attack on Iraq, and a wages deal for pilots which was distinctly more generous than the management had hoped, meant its costs would be 4 per cent higher than expected.

America West, a smaller, fast-growing carrier, also warned on profits.

This week it was the turn of TWA, its name unfortunately still linked with the crash off Long Island which killed 238 people in July, to warn on profits. The airline said it would report earnings per share of just \$1.20 in the quarter to September, down from \$3.18 in the same period a year earlier. The company's shares had already dropped 13 per cent on the basis of a downgrading by Goldman Sachs.

Internet stocks do have one clear advantage over airlines - they are "high-tech", conferring a vogue previously enjoyed by plastics (remember *The Graduate*), and by bio-technology stocks.

But there are plenty of cynics who believe that a company will command a premium if its name includes at least one incomprehensible scientific term, and nobody understands its product.

With understanding will come a lower rating.

Dow Jones Ind Average

Monday 589.20 + 65.68

Tuesday 588.83 - 0.37

Wednesday 587.38 - 11.47

Thursday 587.74 - 9.82

Friday

The curse of Cassandra, you will recall, was that while her

forecasts were correct, no one believed her. They must be feeling like that at PDMF this week.

The fund management arm of Union Bank of Switzerland has attracted plenty of publicity for its decision to have a lower-than-average weighting in UK equities and a higher average exposure to cash.

This strategy has been portrayed as "gambling on a crash" and PDMF certainly believes that equities in the US and UK are overvalued. But its view only appears extraordinary because of the peculiar world of pensions management.

Pension fund managers are judged not on whether they can deliver the best returns to beneficiaries, but on whether they produce annual returns better or worse than their peers. So

their benchmark is what other managers are doing; if the average manager has 50 per cent in UK equities, a manager is "overweight" if it has 55 per cent in that category or "underweight" if it has 45 per cent.

This produces a herd mentality as managers shift en masse from one investment category to another, desperately trying to keep up with the average. In recent years, for example, most UK managers have had a heavy exposure to the Pacific basin and a low exposure to the US, tactics which have not profited their clients.

But, from the manager's point of view, it does not matter if the fund falls in value by 9 per cent, provided the competition has lost 10 per cent. Poor overall returns are much less than a persistent failure to beat other managers.

This prevents a manager from taking the cautious

view that, say, index-linked gilts will provide a safe but modest return that will provide a decent level of benefits and investing the bulk of the fund in that category.

PDMF stands out because of the extent of its caution but other UK fund managers have also been raising their cash holdings in recent months. One leading institution told me this week that it also thought the US and UK markets were overvalued (although not by as much as PDMF believes).

However, it did not believe in raising too much cash because in the long run, equities were the best investment and it was difficult to justify short-term plays on the market.

Is there anything to justify PDMF's caution? As the graph shows, the price-earnings ratio on the Non-Financial Index, while not at the peak reached in 1994, is well above its 10-year average.

The yield on the FT-SE-100

is also well below its 10-year mean. But the valuations, at least on some measures, look far more extreme in the US.

The sudden focus on

PDMF (which has been

widely known to be cautious for some time) is no doubt due to the inexorable rise of the FT-SE 100 index, which started with the 4,000 level this week and chalked up all-time intra-day highs.

The corporate results season, and the recent rally in the markets, have encouraged analysts to raise their sights. A prime example is Kleinwort Benson, which has increased its end-year forecast for Footsie from 4,000 to 4,200.

The reason cited by Kleinwort, ironically enough, is the high cash positions of institutions such as PDMF.

Fund managers may be forced to chase the market, especially as the corporate sector is still throwing off cash in the form of takeovers, share buy-backs and dividends.

While there were a number of disappointing figures from small and medium sized companies, notably Roxboro, the electronics company, and Treats, the ice cream group, there was only one real disappointment in Footsie: RMC, the building materials company, which had no hard news to back up the bid rumours.

The corporate results season continued with a spate of announcements.

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Mark Brown, head of strategy and economics at ABN-Amro Hoare Govett, has also raised his end-year target for Footsie, although he remains fairly gloomy. "The recent rise in the market obliges us to moderate our cautious targets, but we maintain the view that it will be difficult to sustain a sub-4 per cent equities yield, against a background of rising real bond yields and slowing dividends, suggesting a FT-SE 100 level of 3,700 compared with our previous target of 3,500," he writes in a recent report.

If Brown is proved right, he can at least be sure that the folks at PDMF will be willing to buy him a celebratory drink.

London

A curse on herd mentality

Philip Coggan on how fund managers are judged

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Cassandra gloomy forecasts were ever her forte

Julian Gerle

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The indicator is calculated by subtracting the number.

Barry Riley

Of market tops and laptops

Steve the strategist is caught short on tactics

How had that worked out?

"Like most people I'm disappointed at how long it takes for the Bundesbank to wise up to events," said Steve. "In fact the Frankfurt market has been hitting all-time highs and it is up 14 per cent this year in local currency, which is better than New York, London or Tokyo. That isn't true in dollars, but I warned that the D-Mark would need to be hedged this year."

Steve was hoping for more, because I expected that German interest rates would have been nearer 2 than 3 per cent by now. It will still happen. The French are desperate - just look at their budget this week, patched together by raiding France Telecom's pension plan - and Germany is not much healthier. Once the crazy over-optimism of the 1997 economic growth forecasts is exposed (and that may happen as soon as this Christmas) the Maastricht borrowing limits will be seen to be completely out of reach. The only way out will be through much looser monetary policy.

"Look, I've an animated chart here," he added. "Damn, the system is running too slowly."

Cheerful money was traditionally good for equities, I acknowledged, but that didn't seem to have

been borne out in Japan this year.

The Tokyo index had gone nowhere. Foreigners had piled in but by July were getting out again in frustration. They had lost on the yen, too, if they hadn't hedged. What had gone wrong?

"They call it the coffin lid on the stock market," said

The French are desperate and the Germans are not much healthier

Asia, which had been

sluggish this year, with the Pacific Basin ex Japan index no higher than at the end of January.

"It's true, a lot of emerging Asia is running into trouble," said Steve. "I'm advising a serious downweighting. Several countries like Korea and Thailand have political or financial problems. I guess these are just growing pains but the export growth that has powered the region's expansion has slowed sharply and there are some nasty balance of trade deficits. I would steer clear for the next year or two."

Talking of trade deficits, I said, the widening of the US trade gap reported this week to \$117bn for July had highlighted the old problem of the need for the US to attract capital inflows. And it was interesting that US government spokesmen were laying off Japan and were beginning to attack Europe instead, for running inflationary policies and undermining global growth.

"Right now the money's still flowing," said Steve. "Japan's renewed economic weakness has confirmed that yen rates won't be rising from 1/2 per cent for a while yet. That perception has been a factor in the latest Dow surge towards 6,000. And German rates, as I say, are going lower."

British investors are certainly putting large sums into continental stock markets, I said. But they also had a lot tied up in east

Asia, which had been

sluggish this year, with the Pacific Basin ex Japan index no higher than at the end of January.

Foreign money floods into US bonds, American

investors are released to buy equities and the mutual funds chase hot stocks and technology offerings higher and higher. But the strains are definitely showing.